THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New World Mobile Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NWM 新移動

新世界移動控股有限公司

New World Mobile Holdings Limited

NEW WORLD MOBILE HOLDINGS LIMITED
新世界移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 862)

SPECIAL DEALS, VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

(I) PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF, AND LOAN TO, UPPER START HOLDINGS LIMITED; AND (II) PROPOSED SPECIAL DIVIDEND

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

CIMB

CIMB-GK Securities (HK) Limited

A letter from the board of directors of New World Mobile Holdings Limited is set out on pages 8 to 20 of this circular. A letter from CIMB-GK Securities (HK) Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 33 of this circular. The letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 21 of this circular.

A notice convening the extraordinary general meeting of New World Mobile Holdings Limited to be held at Meeting Rooms 606 and 607, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 3 January 2007 at 10:00 a.m. is set out on pages 180 to 182 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of New World Mobile Holdings Limited in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

The Special Dividend will be made subject to (i) the Disposal Completion; (ii) compliance with section 146 of the articles of association of the Company; and (iii) the sufficiency of the distributable reserves of the Company as at the Disposal Completion Date. The amount of the Special Dividend will be reduced if the Company does not have sufficient distributable reserves available for distribution. The Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the Shares.

15 December 2006

CONTENTS

In this circular, unless the content otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by the Offeror on and subject to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 22 November 2006 entered into among NWD, the Offeror and Mr. Lo in respect of the sale and purchase of the Sale Shares
"Acquisition Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Announcement"	the announcement dated 22 November 2006 jointly issued by the Company and the Offeror in relation to, among other things, the proposed Disposal, the proposed Special Dividend, the Special Deals and the proposed Acquisition
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	board of the Directors
"Cash Consideration"	the remaining balance of the Consideration which shall be paid by NWD in cash upon the Disposal Completion after the Set-off
"CIMB-GK"	CIMB-GK Securities (HK) Limited, a licensed corporation under the SFO to carry on Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the respective terms of the S&P Agreement (including the Special Deals) and the Special Dividend
"Company"	New World Mobile Holdings Limited (stock code: 862), an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration of HK$2,500 million payable by NWD to the Company under the S&P Agreement

"Convertible Bond"	a convertible bond of an outstanding principal amount of HK$28,286,000 issued by the Company to NWCBN due 1 November 2007, which is convertible into new Shares at a conversion price of HK$1.22 per Share (subject to adjustment) as at the Latest Practicable Date
"CSL NWM"	CSL New World Mobility Limited (formerly known as Telstra CSL Limited), a company incorporated in Bermuda with limited liability and owned as to 23.6% by the Company through Upper Start and as to 76.4% by Telstra Corporation Limited (the issued shares of which are listed on the Australian Stock Exchange) through one of its wholly-owned subsidiaries
"CSL NWM Group"	CSL NWM and its subsidiaries
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the entire issued share capital of Upper Start and the assignment of the Sale Loan by the Company to NWD on and subject to the terms and conditions of the S&P Agreement
"Disposal Completion"	completion of the Disposal in accordance with the terms and conditions of the S&P Agreement
"Disposal Completion Date"	the date on which Disposal Completion shall take place, being the third business day after all the conditions precedent to the S&P Agreement have been satisfied or waived (as the case may be) or such other date as NWD and the Company may agree in writing
"Disposal Long Stop Date"	28 February 2007 or such other date as the parties to the S&P Agreement may agree in writing
"EBITDA"	earnings before interest, taxation, depreciation, amortisation and impairment (or reversal of provision) of property, plant and equipment
"EGM"	an extraordinary general meeting of the Company to be convened at 10:00 a.m. on Wednesday, 3 January 2007 to consider and, if thought fit, approve the S&P Agreement (including the Special Deals) and the Special Dividend
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

"Existing Loans"	loans advanced by New World Finance to the Company with an aggregate outstanding principal amount of approximately HK$1,066.8 million as at the Latest Practicable Date
"Group"	the Company and its subsidiaries
"HIBOR"	Hong Kong Interbank Offer Rate
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board, which comprises Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, established by the Company to advise the Independent Shareholders in respect of the terms of the S&P Agreement (including the Special Deals) and the Special Dividend
"Independent Shareholders"	being the Shareholders other than NWD, its associates, parties acting in concert with NWD as well as the Offeror, New World CyberBase Limited, their respective associates and parties acting in concert with any of them, and persons who are involved or interested in the Special Deals
"Latest Practicable Date"	12 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Lo"	Mr. Lo Lin Shing, Simon, the sole beneficial owner of the Offeror and a non-executive Director
"Mr. To"	Mr. To Hin Tsun, Gerald, an executive Director
"New World Finance"	New World Finance Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of NWD which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong)
"NWCBN"	New World CyberBase Nominee Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of NWD

"NWD"	New World Development Company Limited (stock code: 17), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange
"NWD Group"	NWD and its subsidiaries (excluding the Group)
"NWPCS Group"	New World PCS Holdings Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of CSL NWM, and its subsidiaries, which has become part of the CSL NWM Group since 31 March 2006
"Offeror"	Moral Glory International Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially wholly-owned by Mr. Lo
"Overseas Shareholders"	Qualifying Shareholders whose addresses on the Record Date as stated in the register of members of the Company are outside Hong Kong
"PPG"	Power Palace Group Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of NWD
"PRC"	the People's Republic of China, which, solely for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
"Record Date"	3 January 2007, being the record date to determine entitlements of the Shareholders to the Special Dividend
"Remaining Group"	the Company and its subsidiaries immediately after the Disposal Completion and the Special Dividend
"S&P Agreement"	the conditional sale and purchase agreement dated 22 November 2006 entered into between the Company and NWD in relation to the sale and purchase of the entire issued share capital of Upper Start and assignment of the Sale Loan
"Sale Loan"	the entire amount of the interest free shareholder's loan owing from Upper Start to the Company as at the Disposal Completion Date, the amount of which as at the Latest Practicable Date was approximately HK$2,431 million

"Sale Shares"	55,336,666 Shares, representing approximately 56.64% of the entire issued share capital of the Company and beneficially owned by the NWD Group as at the Latest Practicable Date
"Set-off"	the partial payment of the Consideration by way of set-off against the aggregate amount owing under the Subscription Note, the Convertible Bond and the Existing Loans as at the Disposal Completion Date pursuant to the S&P Agreement
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$1.00 each in the issued share capital of the Company
"Share Offer"	the possible unconditional mandatory general cash offer to be made by Taifook Securities Company Limited on behalf of the Offeror for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it upon the Acquisition Completion at HK$0.65 per Share.
"Shareholder(s)"	holder(s) of the Shares
"Special Deals"	the Disposal and the Set-off, each of which constitutes a special deal for the Company under Rule 25 of the Takeovers Code
"Special Dividend"	subject to, among other things, and following the Disposal Completion, the proposed declaration of cash dividend of HK$1.20 per Share (subject to finalisation) by the Company to the Qualifying Shareholders on a pro rata basis
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Note"	a convertible note of an outstanding principal amount of HK$1,200 million issued by the Company to PPG due on 5 July 2007, which is convertible into new Shares at a conversion price of HK$1.20 per Share (subject to adjustment) as at the Latest Practicable Date
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Technology Business"	the provision of technology-related services including mobile Internet-related services in the PRC by the Group

"Upper Start"	Upper Start Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

The following timetable is subject to changes, depending on, among other things, the date on which the Disposal Completion is to take place:

Last day of dealings in the Shares on a cum-dividend basis in relation to the Special Dividend . . . . Friday, 22 December 2006

Commencement of dealings in the Shares on an ex-dividend basis in relation to the Special Dividend . . . . Wednesday, 27 December 2006

Latest time for lodging transfer of the Shares for entitlements to the Special Dividend . . . . 4:00 p.m. on Thursday, 28 December 2006

Register of members of the Company closes to determine entitlements to the Special Dividend . . . . Friday, 29 December 2006 to Wednesday, 3 January 2007 (both dates inclusive)

Latest time for lodging forms of proxy for the EGM . . . . 10:00 a.m. on Monday, 1 January 2007

Record Date . . . . Wednesday, 3 January 2007

EGM . . . . 10:00 a.m. on Wednesday, 3 January 2007

Disposal Completion Date . . . . Thursday, 4 January 2007

Publication of announcement in relation to, among other things, the Disposal Completion and the final amount of the Special Dividend . . . . Friday, 5 January 2007

Cheques in respect of the Special Dividend are expected to be posted to the Qualifying Shareholders on or before . . . . Thursday, 11 January 2007

Notes:

1. It should be noted that the Shares will be dealt with on ex-dividend basis in relation to the Special Dividend from Wednesday, 27 December 2006 and that dealings in the Shares on ex-dividend basis in relation to the Special Dividend may take place whilst the conditions precedent to the S&P Agreement remain unfulfilled. **Shareholders or any other persons dealing in the Shares before the day on which all conditions precedent to the S&P Agreement are fulfilled will accordingly bear the risk that the S&P Agreement (and hence the Special Dividend) may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares during the abovementioned period who are in doubt of their position are advised to consult their professional advisers.**

2. All time refers to Hong Kong time. Dates and times specified in this circular are indicative only and are subject to change in accordance with the agreement between the Company and NWD. The Company will notify the Shareholders of any changes to the expected timetable above as and when appropriate.

新世界移動控股有限公司
New World Mobile Holdings Limited

NEW WORLD MOBILE HOLDINGS LIMITED
新世界移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 862)

Directors:
Executive Directors:
Dr. Cheng Kar Shun, Henry *(Chairman)*
Mr. Doo Wai Hoi, William, *JP* *(Vice Chairman)*
Dr. Wai Fung Man, Norman *(Chief Executive Officer)*
Mr. To Hin Tsun, Gerald
Mr. Chow Yu Chun, Alexander

Non-executive Directors:
Mr. Ho Hau Chong, Norman
Mr. Lo Lin Shing, Simon

Independent non-executive Directors:
Mr. Hui Chiu Chung, *JP*
Mr. Kwong Che Keung, Gordon
Mr. Tsui Hing Chuen, William, *JP*

Registered office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal place of business in Hong Kong:
17th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Hong Kong

15 December 2006

To the Shareholders and, for information purposes only, the holders of the outstanding share options of the Company

Dear Sir or Madam,

SPECIAL DEALS, VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

On 22 November 2006, the Company and the Offeror jointly announced, among other things, that:

(i) the Company and NWD entered into the S&P Agreement, pursuant to which the Company had conditionally agreed to sell, and NWD has conditionally agreed to purchase or procure the purchase of, the entire issued share capital of Upper Start and the Sale Loan, at the Consideration of HK$2,500 million;

(ii) subject to (a) the Disposal Completion; (b) compliance with section 146 of the articles of association of the Company which provides that dividend shall only be declared or payable out of profits and reserves of the Company lawfully available for distribution; and (c) the sufficiency of the distributable reserves of the Company as at the Disposal Completion Date, the Board intends to distribute the Special Dividend of HK$1.20 per Share (subject to finalisation) to the Qualifying Shareholders. The Special Dividend will be financed by the Cash Consideration; and

(iii) the Offeror entered into the Acquisition Agreement with NWD, pursuant to which the Offeror has conditionally agreed to purchase, and NWD has conditionally agreed to procure the sale of, subject to, among other things, the Disposal Completion, the Sale Shares at HK$0.65 per Sale Share. The Sale Shares, being 55,336,666 Shares, represented approximately 56.64% of the voting rights of the Company as at the Latest Practicable Date.

Upon the Acquisition Completion, the Offeror and parties acting in concert with it will own an aggregate of 71,428,512 Shares, representing approximately 73.11% of the voting rights of the Company. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make an unconditional mandatory general cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it. The Share Offer will be made at HK$0.65 per Share which is equal to the amount payable for each Sale Share. Details of the terms of the Share Offer and the information of the Offeror have been set out in the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the S&P Agreement (including the Special Deals) and the Special Dividend; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the S&P Agreement (including the Special Deals) and the Special Dividend; (iii) a letter of advice from CIMB-GK to the Independent Board Committee and the Independent Shareholders in relation to the terms of the S&P Agreement (including the Special Deals) and the Special Dividend; (iv) the accountants' report on the Group; (v) the financial information on the CSL NWM Group for the year ended 30 June 2006; (vi) the financial information on the NWPCS Group for the nine months ended 31 March 2006; (vii) the unaudited pro forma financial information on the Remaining Group; (viii) the expected timetable in respect of the EGM, the Disposal Completion and the Special Dividend; and (ix) a notice of the EGM.

THE S&P AGREEMENT

Date:

22 November 2006

Parties:

(i) the Company as the vendor; and

(ii) NWD as the purchaser.

As at the Latest Practicable Date, the NWD Group was beneficially interested in approximately 56.64% of the issued share capital of the Company. As such, NWD is a connected person of the Company under the Listing Rules.

Assets to be disposed:

Pursuant to the terms and conditions of the S&P Agreement:

(i) the Company has conditionally agreed to sell the entire issued share capital of Upper Start to NWD or its nominee and NWD has conditionally agreed to purchase, or procure the purchase of, the same free from all encumbrances and together with all rights and benefits at any time accruing thereto including all rights to any dividend or other distributions declared, made or paid on or after the Disposal Completion; and

(ii) the Company has conditionally agreed to sell and assign and NWD has conditionally agreed to purchase and accept, or procure the purchase and acceptance of, the assignment of all rights, title, benefits and interests of and in the Sale Loan free from all encumbrances and together with all rights attaching thereto on or after the Disposal Completion.

Upper Start was incorporated in the British Virgin Islands with limited liability and was a wholly-owned subsidiary of the Company as at the Latest Practicable Date. The sole asset of Upper Start is its 23.6% interest in the issued share capital of CSL NWM. The remaining 76.4% interest in the issued share capital of CSL NWM is beneficially owned by Telstra Corporation Limited, the issued shares of which are listed on the Australian Stock Exchange.

Consideration:

Pursuant to the S&P Agreement, the Consideration is HK$2,500 million.

The Consideration was arrived at after arm's length negotiations between the parties to the S&P Agreement after taking into account, among other things, (i) the fact that the 23.6% interest in the issued share capital of CSL NWM is only a minority interest in the CSL NWM Group; and (ii) the aggregate amount of the audited EBITDA of the NWPCS Group for the nine months ended 31 March 2006 and the audited EBITDA of the CSL NWM Group for the year ended 30 June 2006 amounting to approximately HK$1,649 million *(Note)*.

Note: CSL NWM acquired the entire interest in the NWPCS Group on 31 March 2006. Since then, the CSL NWM Group has consolidated the results of the NWPCS Group and accordingly, the audited consolidated financial statements of the CSL NWM Group for the year ended 30 June 2006 included the results of the NWPCS Group for the period from 1 April 2006 to 30 June 2006. The audited EBITDA of the NWPCS Group and the audited EBITDA of the CSL NWM Group were extracted from the audited consolidated financial statements of the NWPCS Group for the nine months ended 31 March 2006 (the text of which is set out in Appendix IV to this circular) and the audited consolidated financial statements of the CSL NWM Group for the year ended 30 June 2006 (the text of which is set out in Appendix III to this circular) respectively.

The Consideration shall be satisfied by NWD in the following manner:

(i) a sum equivalent to the aggregate amount owing under the Subscription Note, the Convertible Bond and the Existing Loans as at the Disposal Completion Date shall be paid upon the Disposal Completion by way of setting off against the aggregate amount owing under the Subscription Note, the Convertible Bond and the Existing Loans as at the Disposal Completion Date; and

(ii) the Cash Consideration shall be paid upon the Disposal Completion.

Based on the aggregate amount owing under the Subscription Note (owing by the Company to PPG), the Convertible Bond (owing by the Company to NWCBN) and the Existing Loans (owing by the Company to New World Finance) of approximately HK$2,326.8 million (including total principal balance of approximately HK$2,295.1 million and total accrued interest of approximately HK$31.7 million) as at the Latest Practicable Date, the Cash Consideration is estimated to be approximately HK$173.2 million. The actual amount of the Cash Consideration, however, is to be determined with reference to the aforesaid aggregate amount of borrowings as at the Disposal Completion Date.

Conditions precedent:

The Disposal Completion is subject to the fulfillment of the following conditions precedent:

(i) the passing of an ordinary resolution by the Shareholders (other than those who are required to abstain from voting under the Listing Rules and the Takeovers Code) at the EGM approving (1) the entering into of the S&P Agreement and the performance of the transactions contemplated thereunder by the Company in accordance with the requirements under applicable laws, rules and regulations; and (2) the Special Dividend;

(ii) the grant by the Executive of his consent to the Special Deals as required pursuant to the Takeovers Code;

(iii) all necessary governmental and regulatory (including the Stock Exchange and the SFC) approvals or consents (or waivers) required by NWD and the Company or any of them for the consummation of the transactions contemplated thereunder having been obtained; and

(iv) all necessary third party approvals or consents (or waivers) required by NWD and the Company or any of them for the consummation of the transactions contemplated thereunder having been obtained.

All the above conditions precedent cannot be waived. The Company shall use its reasonable endeavours to procure the holding of the EGM for the purpose of fulfilling the condition precedent (i) by the Disposal Long Stop Date and to ensure that the conditions precedent (ii), (iii) and (iv) (insofar as the Company is concerned) shall be fulfilled by the Disposal Long Stop Date. NWD shall ensure that the conditions precedent (iii) and (iv) (insofar as NWD is concerned) shall be fulfilled by the Disposal Long Stop Date. It is expected that the conditions precedent (iii) and (iv) will be satisfied upon fulfillment of the conditions precedent (i) and (ii).

If any of the conditions precedent under the S&P Agreement has not been fulfilled by the Disposal Long Stop Date, either parties to the S&P Agreement shall be entitled to rescind the S&P Agreement by giving written notice to the other whereupon the provisions of the S&P Agreement shall from such date have no further force and effect and no parties to the S&P Agreement shall have any liability under them (without prejudice to the rights of the parties to the S&P Agreement in respect of any antecedent breaches).

Completion:

Subject to the fulfillment of the conditions precedent to the S&P Agreement, the Disposal Completion shall take place on the Disposal Completion Date.

The Disposal Completion is expected to take place in January 2007.

Use of proceeds from the Disposal:

Subject to the Disposal Completion, part of the Cash Consideration of approximately HK$173.2 million (subject to adjustment) will be declared and distributed in the form of the Special Dividend to the Qualifying Shareholders, details of which are set out in the section headed "The Special Dividend" below. The remaining balance of the Cash Consideration will be used as general working capital of the Remaining Group.

THE SPECIAL DIVIDEND

Subject to (i) the Disposal Completion; (ii) compliance with section 146 of the articles of association of the Company which provides that dividend shall only be declared or payable out of profits and reserves of the Company lawfully available for distribution; and (iii) the sufficiency of the distributable reserves of the Company as at the Disposal Completion Date, the Board intends to declare and distribute the Special Dividend of HK$1.20 per Share (subject to finalisation) to the Qualifying Shareholders. The Special Dividend will be financed by the Cash Consideration. Based on 97,692,069 Shares in issue as at the Latest Practicable Date and the Special Dividend of HK$1.20 per Share (subject to finalisation), the total amount of the Special Dividend will be approximately HK$117.2 million.

As referred to in the annual report of the Company for the year ended 30 June 2006, the distributable reserves of the Company amounted to approximately HK$140.9 million. The Board considers that the Company would have sufficient distributable reserves for the Special Dividend immediately after the Disposal Completion, after taking into account (i) the Company's distributable reserves of approximately HK$140.9 million as at 30 June 2006 as extracted from the annual report of the Company for the year ended 30 June 2006; (ii) the gain on the Disposal to be recognised by the Company; and (iii) the dividend income to be received by the Company from Upper Start before the Disposal Completion Date.

Further announcement(s) in relation to the final amount of the cash payment to be declared and payable by the Company pursuant to the Special Dividend will be made by the Company as and when appropriate.

ACTIONS TO BE TAKEN BY SHAREHOLDERS

In order to qualify for the Special Dividend, the names of the Qualifying Shareholders must appear on the register of members of the Company at the close of business on the Record Date. The register of members of the Company will be closed from Friday, 29 December 2006 to Wednesday, 3 January 2007 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for the Special Dividend, all relevant Share certificates (together with the accompanying documents of transfer, if required) must be lodged with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 28 December 2006.

The cheques in respect of the Special Dividend will be despatched by Abacus Share Registrars Limited to the addresses of the Qualifying Shareholders (including the Overseas Shareholders) by ordinary mail at their own risk on or before Thursday, 11 January 2007. **Shareholders are reminded to update their particulars with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong during normal office hours from 9:00 a.m. to 4:00 p.m. from Monday to Friday as soon as practicable, but in any event no later than 4:00 p.m. on Wednesday, 3 January 2007.**

The Special Dividend will only be made to the Qualifying Shareholders. It is the responsibility of the Overseas Shareholders who receive the cash payment under the Special Dividend to satisfy themselves as to the full observance of the laws of any relevant jurisdictions in connection therewith, including but without limitation to the obtaining of any governmental, exchange control or other consents which may be required to comply with necessary formalities or legal requirements. The Overseas Shareholders will be responsible for the payment of any taxes by whomsoever payable due in respect of such jurisdictions.

The Qualifying Shareholders' entitlements to the Special Dividend are calculated in proportion to the number of Shares held by them whose names appear on the register of members of the Company at the close of business on the Record Date. The Qualifying Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Qualifying Shareholder according to the register of members of the Company. Accordingly, the Qualifying Shareholders (including the beneficial owners of the Shares) should note that the aforesaid arrangement in relation to the Special Dividend will not be extended by the Company to the beneficial owners of the Shares individually.

The Qualifying Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the close of business on the Record Date. **For the Qualifying Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge the relevant transfer of Shares with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable, but in any event no later than 4:00 p.m. on Thursday, 28 December 2006.**

No assurance is given by the Board that the Disposal Completion will take place on or before Thursday, 4 January 2007 or at all. Shareholders will be informed of any changes to the expected timetable by press announcement(s).

INFORMATION ON THE NWD GROUP, THE GROUP, UPPER START AND THE CSL NWM GROUP

NWD is a company incorporated in Hong Kong with limited liability and its issued shares are listed on the Stock Exchange. The NWD Group is a conglomerate with core businesses including property, infrastructure, services, department stores, hotels and telecommunications in Hong Kong, Macau and the PRC.

The Company is an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Stock Exchange. The principal business of the Group as at the Latest Practicable Date comprised (i) the Technology Business; and (ii) the ownership of the 23.6% interest in the issued share capital of CSL NWM.

Upper Start is a wholly-owned subsidiary of the Company whose principal activity is the holding of the 23.6% interest in the issued share capital of CSL NWM.

The CSL NWM Group is a major mobile telecommunications network operator providing mobile wireless services and associated activities by using mobile wireless technologies to provide mobile wireless services in spectrum reserved or designated for use for that purpose under the brands of “One2Free” and “1010” as well as “New World Mobility” following the acquisition of the NWPCS Group by the CSL NWM Group on 31 March 2006. Set out below is the summary of the financial information of the CSL NWM Group for the two years ended 30 June 2006 based on the audited consolidated financial statements of the CSL NWM Group for the year ended 30 June 2006:

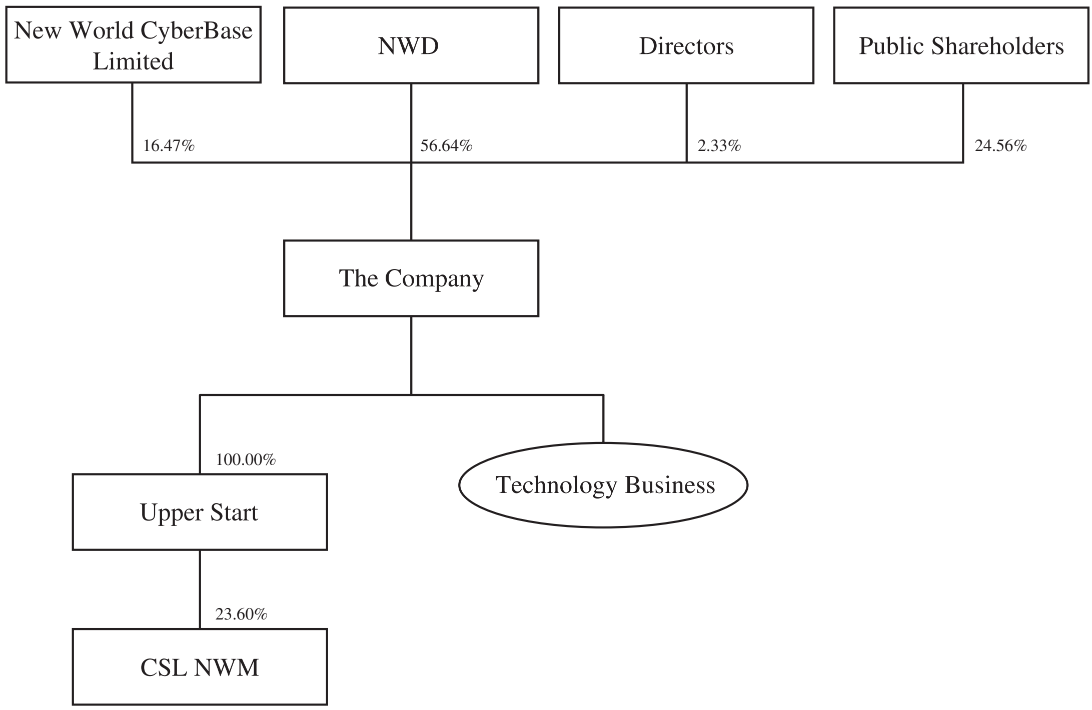
	For the year ended 30 June	
	2005	**2006**
	(Audited)	(Audited)
	HK$’000	*HK$’000*
Profit before taxation	344,175	619,845
Profit after taxation	209,911	483,095

The audited financial statements of the CSL NWM Group for the year ended 30 June 2006 are set out in Appendix III to this circular.

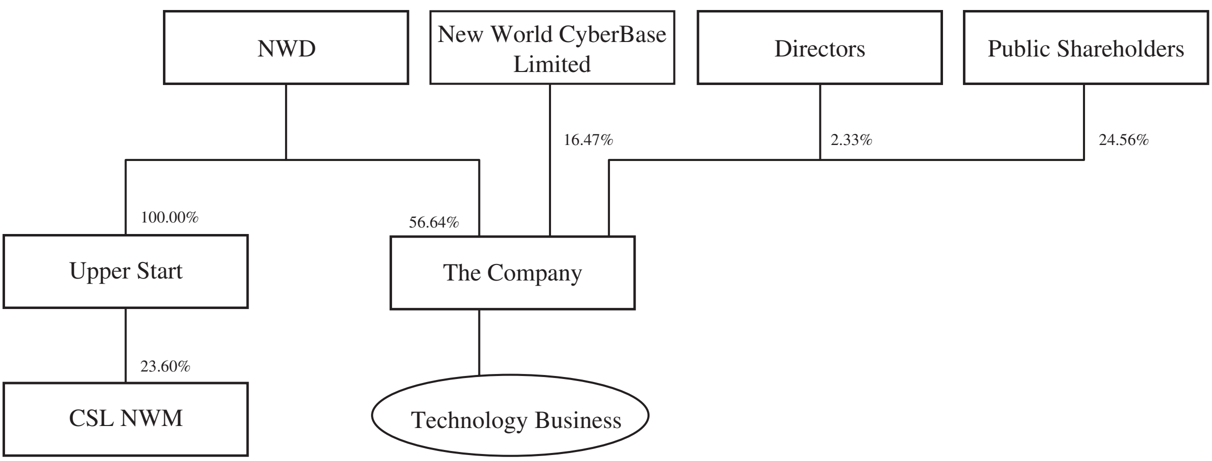
CORPORATE CHARTS

The following charts illustrate the simplified corporate and shareholding structures of the Group and the CSL NWM Group (i) as at the Latest Practicable Date; (ii) immediately after the Disposal Completion but before the Acquisition Completion; and (iii) immediately after the Disposal Completion and the Acquisition Completion but before the Share Offer:

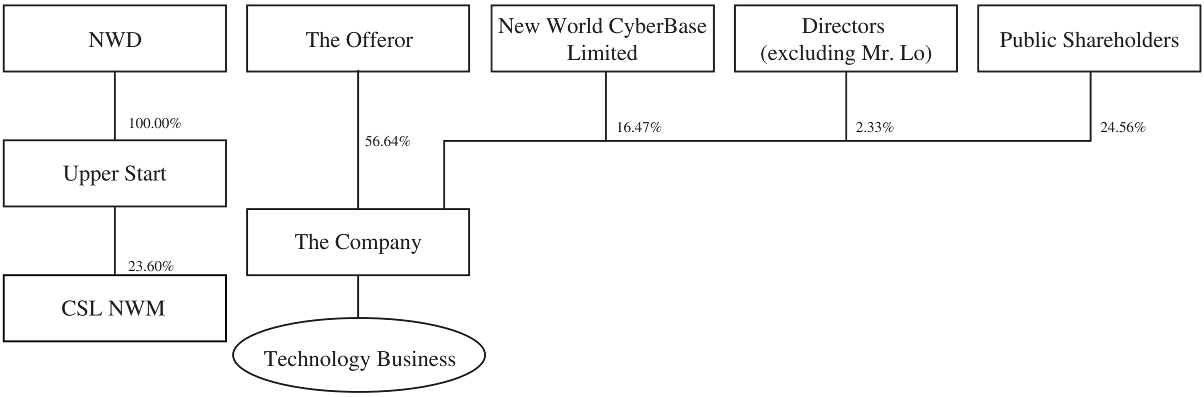
(i) As at the Latest Practicable Date:



(ii) Immediately after the Disposal Completion but before the Acquisition Completion:



(iii) Immediately after the Disposal Completion and the Acquisition Completion but before the Share Offer:



REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE S&P AGREEMENT AND THE SPECIAL DIVIDEND

As a result of the Disposal, the Group is expected to record an unaudited gain of approximately HK$352 million based on (i) the Consideration of HK$2,500 million; and (ii) the audited net book value of the Company's 23.6% interest (through Upper Start) in the issued share capital of CSL NWM of approximately HK$2,143 million as at 30 June 2006, assuming the Disposal had taken place on 30 June 2006. The actual gain on the Disposal, however, is to be determined with reference to the net book value of the Company's 23.6% interest (through Upper Start) in the issued share capital of CSL NWM as at the Disposal Completion Date. In addition, as the amortised costs included in the carrying amounts of the Subscription Note and the Convertible Bond as at 30 June 2006 have to be increased to the amount of principals repayable when early redemptions are made upon the Disposal Completion, it is expected that a net decrease in the consolidated equity of the Group of approximately HK$40 million will be recognised upon the Disposal Completion, which would otherwise be recognised in the consolidated equity of the Group over a longer financial period from 1 July 2006 to their respective maturity dates if the Subscription Note and the Convertible Bond are redeemed or repaid on their respective maturity dates. The actual amount of the net decrease in the consolidated equity of the Group as a result of the early redemption of the Subscription Note and the Convertible Bond is, however, to be determined with reference to the carrying amounts of the Subscription Note and the Convertible Bond as at the Disposal Completion Date.

Set out below are the details of the major borrowings of the Group as at the Latest Practicable Date, being the Subscription Note, the Convertible Bond and the Existing Loans:

Major borrowings	**Annual interest rate**	**Maturity**	**Approximate outstanding principal balances as at the Latest Practicable Date** *HK$' million*
The Subscription Note	0.75%	July 2007	1,200.0
The Convertible Bond	3.00%	November 2007	28.3
The Existing Loans	0.65% above three-month HIBOR	August to September 2007	1,066.8
Total			2,295.1

The Board considers that the Disposal will enable the Group to discharge the Subscription Note, the Convertible Bond and the Existing Loans before they are due for repayment. Based on the annual report of the Company for the year ended 30 June 2006, the Group had incurred significant interest expenses of approximately HK$93.4 million, of which approximately HK$46.8 million, HK$0.9 million and HK$45.7 million respectively were attributable to the Subscription Note, the Convertible Bond and the Existing Loans for the year ended 30 June 2006 respectively. Among the aforesaid interest expenses of approximately HK$93.4 million, approximately HK$55.6 million were the actual interest expenses payable to the holders or lender of the Subscription Note, the Convertible Bond and the Existing Loans and approximately HK$37.8 million were required to be recorded in the consolidated financial statements of the Group in accordance with Hong Kong Accounting Standard 32.

Based on the existing carrying amounts of the Subscription Note, the Convertible Bond and the Existing Loans, their average aggregate monthly interest expenses are estimated to be approximately HK$8.4 million for the year ending 30 June 2007. Among the aforesaid estimated monthly interest expenses of approximately HK$8.4 million, approximately HK$5.2 million will be the actual interest expenses payable to the holders or lender of the Subscription Note, the Convertible Bond and the Existing Loans and approximately HK$3.2 million will be required to be recorded in the consolidated financial statements of the Group in accordance with Hong Kong Accounting Standard 32. Accordingly, the Disposal will enable the Remaining Group to reduce significant interest expenses which would otherwise have to be paid on the aforesaid borrowings.

Since 2001, the Company has not declared any dividend to the Shareholders. It is the Board's intention to declare and distribute, subject to, among other things, the Disposal Completion and the availability of the Company's distributable reserves, the Special Dividend. The Cash Consideration of approximately HK$173.2 million (subject to adjustment) will be used for the Special Dividend and as general working capital of the Remaining Group. As such, the entering into of the S&P Agreement provides the Shareholders an opportunity to have return from their investment in the Company in the form of the Special Dividend.

In view of the above and having considered (i) the terms of the S&P Agreement; (ii) the expected unaudited gain to be recorded by the Group as a result of the Disposal; (iii) the full discharge of the Subscription Note, the Convertible Bond and the Existing Loans; and (iv) the use of the Cash Consideration for the purpose of, among other things, the Special Dividend, the Board is of the view that the terms of the S&P Agreement are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

COMPLIANCE WITH RULE 13.24 OF THE LISTING RULES FOLLOWING THE DISPOSAL COMPLETION

After the Disposal Completion, the Remaining Group's principal business will be the Technology Business. The Board is aware of the Company's continuing obligations to comply with the requirements of Rule 13.24 of the Listing Rules as a result of the Disposal Completion.

The Technology Business currently employs about 120 employees with operations in Beijing, Shanghai and Guangzhou of the PRC and marketing offices in Shenyang, Nanjing, Chengdu and Xian of the PRC. As referred to in the annual report of the Company for the year ended 30 June 2006, the turnover of the Technology Business for the period from 22 October 2005 (date of acquisition of the Technology Business by the Group) to 30 June 2006 amounted to approximately HK$16.5 million. In view of the above, the Board considers that after the Disposal Completion, the Company will be able to continue to comply with the requirements of Rule 13.24 of the Listing Rules.

GENERAL

Each of the Disposal and the Set-off constitutes a special deal for the Company under Rule 25 of the Takeovers Code, and therefore requires the consent of the Executive and such consent, if granted, will be conditional upon the approval by the Independent Shareholders voting by poll at the EGM. The Disposal also constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. As the NWD Group was beneficially interested in approximately 56.64% of the issued share capital of the Company as at the Latest Practicable Date, NWD is a connected person of the Company and the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As such, the Disposal is subject to the approval by the Independent Shareholders at the EGM by poll. NWD, its associates and parties acting in concert with NWD as well as the Offeror, New World CyberBase Limited, their respective associates and parties acting in concert with any of them, and persons who are involved or interested in the Special Deals shall abstain from voting on the proposed resolutions approving the S&P Agreement (including the Special Deals) and the Special Dividend at the EGM.

The Special Dividend will also be put forward to the Independent Shareholders for approval by poll at the EGM.

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in respect of the terms of the S&P Agreement (including the Special Deals) and the Special Dividend. As at the Latest Practicable Date, (i) Mr. Lo, a non-executive Director, was the beneficial owner and the sole director of the Offeror; (ii) Mr. Ho Hau Chong, Norman, a non-executive Director, would be re-designated as an executive Director upon the Acquisition Completion; and (iii) Mr. Tsui Hing Chuen, William, *JP*, an independent non-executive Director, is also an independent non-executive director of New World CyberBase Limited, which in turn is a party presumed to be acting in concert with the Offeror. As such, the abovementioned non-executive Directors and independent non-executive Director are considered not eligible to constitute the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the S&P Agreement (including the Special Deals) and the Special Dividend. Accordingly, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, being the independent non-executive Directors, have been invited to constitute the Independent Board Committee to provide recommendation to the Independent Shareholders in respect of the terms of the S&P Agreement (including the Special Deals) and the Special Dividend. CIMB-GK has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the S&P Agreement (including the Special Deals) and the Special Dividend. Such appointment has been approved by the Independent Board Committee.

EGM

Set out on pages 180 to 182 of this circular is a notice convening the EGM which will be held at Meeting Rooms 606 and 607, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 3 January 2007 at 10:00 a.m. at which ordinary resolutions will be proposed to approve the S&P Agreement (including the Special Deals) and the Special Dividend.

The Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the S&P Agreement (including the Special Deals) and the Special Dividend to be proposed at the EGM. The recommendation of the Independent Board Committee to the Independent Shareholders and the advice of CIMB-GK to the Independent Board Committee and the Independent Shareholders in respect of the terms of the S&P Agreement (including the Special Deals) and the Special Dividend are set out on pages 22 to 33 of this circular.

The form of proxy for use by the Independent Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter of advice from CIMB-GK to the Independent Board Committee and the Independent Shareholders in respect of the terms of the S&P Agreement (including the Special Deals) and the Special Dividend, the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the terms of the S&P Agreement (including the Special Deals) and the Special Dividend as well as the information set out in the appendices to this circular.

The Special Dividend will be made subject to (i) the Disposal Completion; (ii) compliance with section 146 of the articles of association of the Company; and (iii) the sufficiency of the distributable reserves of the Company as at the Disposal Completion Date. The amount of the Special Dividend will be reduced if the Company does not have sufficient distributable reserves available for distribution. The Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the Shares.

Yours faithfully,
By Order of the Board of
New World Mobile Holdings Limited
Dr. Wai Fung Man, Norman
Executive Director and Chief Executive Officer

新世界移動控股有限公司
New World Mobile Holdings Limited

NEW WORLD MOBILE HOLDINGS LIMITED
新世界移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 862)

15 December 2006

To the Independent Shareholders

Dear Sir or Madam,

SPECIAL DEALS,
VERY SUBSTANTIAL DISPOSAL
AND
CONNECTED TRANSACTION

We refer to the circular dated 15 December 2006 issued by New World Mobile Holdings Limited (the "Circular") of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless the context otherwise requires. We have been appointed by the Board as the Independent Board Committee to give you recommendation in respect of the S&P Agreement (including the Special Deals) and the Special Dividend.

We wish to draw your attention to the letter from the Board as set out on pages 8 to 20 of the Circular which provides, among other things, information relating to the S&P Agreement (including the Special Deals) and the Special Dividend, and the letter from CIMB-GK as set out on pages 22 to 33 of the Circular which contains its advice to us and to you in relation to the S&P Agreement (including the Special Deals) and the Special Dividend.

Having considered the terms of the S&P Agreement (including the Special Deals) and the Special Dividend and taken into account the advice of CIMB-GK, we consider that the terms of the S&P Agreement (including the Special Deals) and the Special Dividend are in the interests of the Group and the Independent Shareholders as a whole and are fair and reasonable so far as the Group and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the S&P Agreement (including the Special Deals) and the Special Dividend.

Yours faithfully,
Independent Board Committee
Kwong Che Keung, Gordon **Hui Chiu Chung,** *JP*
Independent non-executive Directors

The following is the text of a letter of advice from CIMB-GK to the Independent Board Committee and the Independent Shareholders dated 15 December 2006 in relation to the terms of the S&P Agreement (including the Special Deals) and the Special Dividend prepared for the purpose of incorporation in this circular:

CIMB

CIMB-GK Securities (HK) Limited

25/F., Central Tower
28 Queen's Road Central
Hong Kong

15 December 2006

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(I) PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF, AND LOAN TO, UPPER START HOLDINGS LIMITED BY NEW WORLD MOBILE HOLDINGS LIMITED TO NEW WORLD DEVELOPMENT COMPANY LIMITED;

(II) PROPOSED SPECIAL DIVIDEND OF NEW WORLD MOBILE HOLDINGS LIMITED; AND

(III) SPECIAL DEALS IN RELATION TO THE DISPOSAL AND THE SET-OFF

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in relation to the S&P Agreement (including the Special Deals) and the Special Dividend, details of which are contained in a circular (the "Circular") to the Shareholders dated 15 December 2006, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, (i) Mr. Lo, a non-executive Director, was the beneficial owner and the sole director of the Offeror; (ii) Mr. Ho Hau Chong, Norman, a non-executive Director, would be re-designated as an executive Director upon the Acquisition Completion; (iii) Mr. Tsui Hing Chuen, William, *JP*, an independent non-executive Director, is also an independent non-executive director of New World CyberBase Limited, which in turn is a party presumed to be acting in concert with the Offeror. As such, the abovementioned non-executive Directors and independent non-executive Director are considered not eligible to constitute the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the S&P Agreement (including the Special Deals) and the Special Dividend. Accordingly, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, being the independent non-executive Directors, have been invited to constitute the Independent Board Committee to provide recommendation to the Independent Shareholders in respect of the terms of the S&P Agreement (including the Special Deals) and the Special Dividend.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. As the NWD Group was beneficially interested in approximately 56.64% of the issued share capital of the Company as at the Latest Practicable Date, NWD is a connected person of the Company and the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As such, the Disposal is subject to the approval by the Independent Shareholders at the EGM by poll. The Special Dividend will also be put forward to the Independent Shareholders for approval at the EGM by poll.

Each of the Disposal and the Set-off constitutes a special deal for the Company under Rule 25 of the Takeovers Code, and therefore requires the consent of the Executive and such consent, if granted, will be conditional upon the approval by the Independent Shareholders voting by poll at the EGM.

NWD, its associates and parties acting in concert with NWD as well as the Offeror, New World CyberBase Limited, their respective associates and parties acting in concert with any of them, and persons who are involved or interested in the Special Deals shall abstain from voting on the proposed resolutions approving the S&P Agreement (including the Special Deals) and the Special Dividend at the EGM.

In formulating our recommendation, we have relied on the information and facts provided by the Directors and contained or referred to in the Circular. The Directors have declared in a responsibility statement set out in Appendix VI to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular. We have assumed that the information and representations provided to us or contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the NWD Group, the Group, the CSL NWM Group or any of their respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the terms of the S&P Agreement (including the Special Deals) and the Special Dividend, we have considered the following principal factors and reasons:

1. Background

On 22 November 2006, the Company and NWD entered into the S&P Agreement, pursuant to which the Company has conditionally agreed to sell, and NWD has conditionally agreed to purchase, the entire issued share capital of Upper Start and the Sale Loan. Pursuant to the S&P Agreement, the Consideration is HK$2,500 million. The sole asset of Upper Start is its 23.6% interest in the issued share capital of CSL NWM.

2. Principal businesses of the Group, the CSL NWM Group and the NWD Group

The Company is incorporated in the Cayman Islands with limited liability and its issued shares are listed on the Stock Exchange. The principal business of the Group comprises (i) the Technology Business, namely the technology-related business including mobile Internet-related services in the PRC; and (ii) the ownership of a 23.60% interest in the issued share capital of CSL NWM.

The CSL NWM Group is a major mobile telecommunications network operator providing mobile wireless services and associated activities in Hong Kong by using mobile wireless technologies to provide mobile wireless services in spectrum reserved or designated for use for that purpose under the brands of "One2Free" and "1010" as well as "New World Mobility" following the acquisition of the NWPCS Group by the CSL NWM Group on 31 March 2006.

NWD is a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange. The NWD Group is a conglomerate with core businesses including property, infrastructure, services, department stores, hotels and telecommunications in Hong Kong, Macau and the PRC.

3. Information on the CSL NWM Group

i) Future prospect of the CSL NWM Group

Following the acquisition of the NWPCS Group by the CSL NWM Group on 31 March 2006, the CSL NWM Group became the largest network service provider in Hong Kong with over 2.6 million subscribers, with 3 brands namely "One2Free", "1010" and "New World Mobility". The CSL NWM Group has retained its three brandings as each brand targets different market segments. "One2Free" and "1010" remains Hong Kong's premium provider of mobile voice and data services whilst New World Mobility targets value conscious customers with a low cost business model.

Based on the information from the Office for the Telecommunications Authority ("OFTA"), mobile subscriber cellular penetration rate was approximately 131.4% in August 2006, indicating that the number of cellular subscribers in Hong Kong has already exceeded its population, making it one of the most highly penetrated cellular markets in the world. Whilst this is in part due to multiple subscription accounts and temporary prepaid accounts of international visitors, the potential future subscriber growth in Hong Kong could be limited in view of the forgoing. The high penetration rate coupled with the presence of five 2G network service providers and four licensed 3G network service providers makes the Hong Kong cellular market extremely competitive.

The table below sets out certain information relating to the mobile telecommunication industry in Hong Kong:

Total mobile network operators (October 2006)	5
Licensed 3G network service providers	4
Total mobile subscribers (August 2006)	9,192,588
Mobile subscriber penetration rate (August 2006)	131.4%

Source: OFTA website

To gain market share, mobile operators in Hong Kong have for a number of years been engaged in price competition by offering heavy handset subsidies and aggressive price promotions. While such aggressive pricing strategies lead to increased voice traffic, there is an overall decrease in average revenue per subscriber per month ("ARPU") which affects the long-term profitability of the industry. Given the high penetration rate of the local mobile telecommunications industry, competition for market share among mobile operators and hence price competition is expected to continue and this could exert pressure on the future financial performance of the CSL NWM Group.

ii) Financial performance

Set out below is the summary of the financial information of the CSL NWM Group, the NWPCS Group and the aggregated results of CSL NWM Group and NWPCS Group (the "Combined Group") based on the audited consolidated financial statements of the CSL NWM Group for the year ended 30 June 2006 ("FY 2006") and the NWPCS Group for the nine months ended 31 March 2006:

HK$'000	**CSL NWM Group**		**NWPCS Group**		**The Combined Group**	
	For the year ended 30 June		**For the year ended 30 June**	**For the nine months ended 31 March**	**For the year ended 30 June**	
	2005	**2006** *(Note)*	**2005**	**2006**	**2005**	**2006**
Turnover	4,301,939	4,815,013	1,662,873	1,402,827	5,964,812	6,217,840
Operating profit	751,228	749,533	78,256	61,422	829,484	810,955
Operating profit margin	17.46%	15.57%	4.71%	4.38%	13.91%	13.04%
EBITDA	1,271,534	1,389,493	335,920	259,409	1,607,454	1,648,902
Profit for the year attributable to equity holders of the parent	209,911	483,095	36,693	22,229	246,604	505,324

Note: As CSL NWM acquired the entire interest in the NWPCS Group on 31 March 2006, results for the CSL NWM Group for the year ended 30 June 2006 included the results of the NWPCS Group for the period from 1 April 2006 to 30 June 2006.

Turnover of the Combined Group increased by approximately 4% to approximately HK$6,218 million in FY 2006 as compared to the year ended 30 June 2005 ("FY 2005"). For the CSL NMW Group, revenue growth was driven by rising data, international voice, and prepaid revenues offset by a decline in local voice revenues after sustained pressure on prices. For the NWPCS Group, the growth was mainly attributed to the increase in sales of mobile handsets and accessories, slightly offset by the drop in the post-paid ARPU. The drop in ARPU was mainly due to the aggressive price promotions offered by mobile services operators and severe competition on tariff.

The operating profit margin for the Combined Group decreased slightly from approximately 13.9% in FY 2005 to 13.0% in FY 2006 mainly due to increase in depreciation expenses associated with the roll out of the 3G network. The Combined Group also incurred more costs in FY 2006 due to the increase in subsidies as part of heightened promotional activity to drive sales and higher offshore out payments associated with higher international voice revenue.

As compared to FY 2005, EBITDA of the Combined Group remained stable in FY 2006. Net profit of the Combined Group increased significantly in FY 2006, mainly due to the impact of the new and revised Hong Kong Financial Reporting Standards ("HKFRS"). The adoption of HKFRS 3 and Hong Kong Accounting Standard 36 since 1 July 2005 has resulted in the Group ceasing goodwill amortization and commencing testing for impairment at the cash-generating unit level annually. The effects include a decrease in amortization of goodwill of the CSL NWM Group by approximately HK$338 million for FY 2006.

As noted from the above, the operating margin of the Combined Group is dropping due to fierce competition and substantial investment in the 3G network. With the drop in operating profit, net profit deteriorated from approximately HK$585 million (after adding back the amortization of goodwill of approximately HK$338 million as described above) for FY 2005 to approximately HK$505 million for FY 2006.

4. Reasons for and benefits of entering into of the S&P Agreement

As noted from the letter from the Board of the Circular ("Letter from the Board"), after considering the following principal factors, the Board considers that the terms of the S&P Agreement are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole:

1. As a result of the Disposal, the Group is expected to record an unaudited gain of approximately HK$352 million, based on (i) the Consideration of HK$2,500 million; and (ii) the audited net book value of the Company's 23.6% interest (through Upper Start) in the issued share capital of CSL NWM of approximately HK$2,143 million as at 30 June 2006, assuming the Disposal had taken place on 30 June 2006. The actual gain on the Disposal, however, is to be determined with reference to the net book value of the Company's 23.6% interest (through Upper Start) in the issued share capital of CSL NWM as at the Disposal Completion Date. In addition, a net decrease in the consolidated equity of the Group of approximately HK$40 million (subject to the carrying amounts of the Subscription Note and the Convertible Bond as at the Disposal Completion Date) will be recognised upon Disposal Completion, which would otherwise be recognised in the consolidated equity of the Group over a longer financial period from 1 July 2006 to their respective maturity dates if the Subscription Note and the Convertible Bond are redeemed or repaid on their respective maturity dates.

2. The Disposal will enable the Group to discharge the Subscription Note, the Convertible Bond and the Existing Loans before they are due for repayment. Based on the existing carrying amounts of the Subscription Note, the Convertible Bond and the Existing Loans, their average aggregate monthly interest expenses are estimated to be approximately HK$8.4 million for the year ending 30 June 2007. Out of HK$8.4 million, approximately HK$5.2 million will be the actual interest expenses payable to the holders of the Subscription Note, the Convertible Bond and the Existing Loans and approximately HK$3.2 million will be required to be recorded in accordance with Hong Kong Accounting Standard 32, which will have no effect on the actual cash flow of the Group. Accordingly, the Disposal will enable the Remaining Group to eliminate substantially all of its debt obligations and to save significant amounts on interest expenses relating to the aforesaid borrowings following the Disposal Completion.

3. Based on the aggregate amount owing under the Subscription Note, the Convertible Bond and the Existing Loans as at the Latest Practicable Date, Cash Consideration of approximately HK$173.2 million (subject to adjustment) will be used for the Special Dividend and as general working capital of the Remaining Group.

In addition to the above financial benefits, as shown in the section headed "3. Information on the CSL NWM Group" above, the CSL NWM Group is operating in a highly competitive market in which profitability will be under pressure as a result of aggressive price promotions by other operators and substantial investment in network costs. We consider that the Disposal provides an opportunity for the Company to realize its investments in the local mobile telecommunication sector which penetration rate is already among the highest in the world. Having taken into account the above factors, we concur with the views of the Board that the entering into of the S&P Agreement is in the interests of the Group and the Independent Shareholders as a whole.

5. Consideration

Pursuant to the S&P Agreement, the Consideration is HK$2,500 million. We note that the Consideration was arrived at after arm's length negotiations between NWD and the Company taking into account, among other things, (i) the Company only has a minority interest in the CSL NWM Group; and (ii) the aggregate amount of the audited EBITDA of the CSL NWM Group for the year ended 30 June 2006 and the audited EBITDA of the NWPCS Group for the nine months ended 31 March 2006, amounting to approximately HK$1,649 million.

For the purpose of assessing the fairness and reasonableness of the Consideration, we have, to the best of our knowledge, identified 7 companies that largely provide mobile communication services in developed Asian markets (the "Comparables") and compared the valuation of multiples implied by the Comparables to the valuation of multiples implied by the Consideration. Based on the nature of business and the availability of the financial information to the public, we have identified only two locally listed telecommunication companies (Sunday and SmarTone), with principal market in Hong Kong which are considered to be comparable to the CSL NWM Group. Hutchison is excluded from the Comparables as it has business in other relatively less mature and low-penetration countries such as India and Thailand. With only two Comparables in Hong Kong, we consider it is appropriate to include the identified telecommunication companies that operate in Taiwan, South Korea and Singapore, as these companies are also operating in the developed Asian market with high penetration rates. In particular, we note from the public domain that the telecommunication industries in Hong Kong, Taiwan, South Korea and Singapore have high penetration rates ranging from approximately 80% to over 130%. Accordingly, for comparison purpose, we consider appropriate to make reference of the identified telecommunication companies that operate in these developed Asian markets. However, with the material difference in the market economy of and operating environment in Japan compared with other Asia economies, companies that largely provide mobile communication services in Japan are excluded from the Comparables.

We would like to emphasis that our analysis does not take into account differences in local regulations, operating environments, tax treatments, accounting policies and standards, nor does it take into account the unique characteristics of the different companies.

In our assessment of the Consideration, we have considered the following valuation multiples:

- Price earning ratio ("PER");
- Enterprise Value ("EV") to EBITDA ("EV/EBITDA"); and
- Price to book multiple ("P/B")

The valuation multiples for the Comparables have been computed on a historical basis, using the financial data obtained from their respective latest available annual reports and based on their respective closing prices as at the Latest Practicable Date. The valuation multiples for the CSL NWM Group have been computed based on the Consideration, the audited consolidated balance sheet of the CSL NWM Group as at 30 June 2006, the audited consolidated income statement of the CSL NWM Group for FY 2006 and the audited consolidated profit and loss account of the NWPCS Group for the nine months ended 31 March 2006.

Table (1) Trading comparables

Comparables	Country	Market Capitalisation (HK$' million)[1]	PER[2]	EV/EBITDA[3]	P/B (including goodwill)[4]	P/B (excluding goodwill)[5]
Sunday	Hong Kong	1,943	N/A[6]	30.55	3.79	3.79
SmarTone	Hong Kong	4,447	63.58	3.81	1.30	1.30
Far EasTone	Taiwan	34,472	9.79	7.81	1.97	2.30
Taiwan Mobile	Taiwan	37,696	9.59	5.79	1.81	1.96
KTF	South Korea	49,077	9.61	3.88	1.39	1.39
SK Telecom	South Korea	148,788	8.56	4.81	2.14	2.74
MobileOne	Singapore	10,530	12.87	6.51	4.50	4.50
Average			**19.00**	**5.44**[7]	**2.41**	**2.57**
The CSL NWM Group			**20.96**	**6.19**	**1.95**	**3.85**

Source: Bloomberg and annual reports

Notes:

(1) Based on the market capitalisation in the respective original currency, and adjusted to HK$ based on the exchange rates as quoted on Bloomberg on the Latest Practicable Date.

(2) PERs are calculated based on the respective closing share prices as at the Latest Practicable Date in the case of the Comparables, and the full value of the CSL NWM Group as indicated by the Consideration in the case of the CSL NWM Group, divided by the respective basic earnings per share as disclosed in their latest annual reports, in the case of the Comparables, and the audited consolidated net profit of the CSL NWM Group for FY 2006 plus the audited consolidated net profit of the NWPCS Group for the nine months ended 31 March 2006, in the case of the CSL NWM Group.

(3) EV/EBITDA is calculated based on the market capitalisation (using the respective share prices as at the Latest Practicable Date), plus debt and minority interests less cash and cash equivalents, in the case of the Comparables, and the full value of the CSL NWM Group as indicated by the Consideration less net cash (cash and cash equivalents minus interest-bearing loans) in the case of the CSL NWM Group, divided by the respective EBITDAs based on their latest annual reports, in the case of the Comparables, and the audited consolidated EBITDA of the CSL NWM Group for FY 2006 plus the audited consolidated EBITDA of the NWPCS Group for the nine months ended 31 March 2006, in the case of the CSL NWM Group.

(4) P/B (including goodwill) is calculated based on the respective closing share prices as at the Latest Practicable Date in the case of the Comparables, and the Consideration per share in the case of the CSL NWM Group, divided by the respective book values (including goodwill) per share as at their latest annual reports.

(5) P/B (excluding goodwill) is calculated based on the respective closing share prices as at the Latest Practicable Date in the case of the Comparables, and the Consideration per share in the case of the CSL NWM Group, divided by the respective book values (minus goodwill) per share as at their latest annual reports.

(6) Sunday incurred a loss for the 12-month period ended 31 December 2005.

(7) The EV/EBITDA of Sunday is exceptionally high as it recorded a loss for the year ended 31 December 2005 and hence a relatively low EBITDA. Accordingly, Sunday is excluded from the calculation of the average of the Comparables.

As illustrated in the above table, both the PER and EV/EBITDA of the CSL NWM Group are slightly above the respective average PER and EV/EBITDA of the Comparables.

The P/B (including goodwill) of the CSL NWM Group is within the range but lower than the average P/B (including goodwill) of the Comparables. We note that the CSL NWM Group recorded a goodwill amounted to approximately HK$1,709 million after the acquisition of the NWPCS Group by CSL NWM on 31 March 2006 ("CSL Acquisition"), which significantly lowered the P/B of the CSL NWM Group. We consider it would provide a better comparison to exclude the goodwill in the calculation of P/B of the CSL NWM Group and the Comparables. By excluding the goodwill, the P/B of the CSL NWM Group will increase to approximately 3.85 times and is higher than the average P/B of the Comparables excluding their goodwill of approximately 2.57 times.

Based on the above analysis, we are of the view that the Consideration for the Disposal is fair and reasonable and in the interests of Independent Shareholders as a whole.

6. Special Dividend

Subject to the Disposal Completion, based on the Special Dividend of HK$1.20 per Share and 97,692,069 Shares in issue as at the Latest Practicable Date, approximately HK$117.2 million of the Cash Consideration will be declared and distributed in the form of Special Dividend to the Qualifying Shareholders.

As noted from the Letter from the Board, the Board considers that the Company would have sufficient distributable reserves for the Special Dividend immediately after the Disposal Completion, after taking into account (i) the Company's distributable reserves of approximately HK$140.9 million as at 30 June 2006 as extracted from the annual report of the Company for the year ended 30 June 2006; (ii) the gain on the Disposal to be recognised by the Company; and (iii) the dividend income to be received by the Company from Upper Start before the Disposal Completion Date.

We note that since 2001, the Company has not declared any dividend to the Shareholders. It is the Board's intention to declare and distribute, subject to, among other things, the Disposal Completion and the availability of the Company's distributable reserves, the Special Dividend.

We also note that upon completion of the Disposal, the Remaining Group will remain principally engaged in the Technology Business which includes the provision of mobile Internet-related services and information technology outsourcing value-added services. As advised by the Company, upon the Disposal Completion, the Company has no concrete new plans or projects for the Remaining Group. Pursuant to the Agreement, the Offeror has conditionally agreed to acquire, and NWD has conditionally agreed to procure the disposal of the Sale Shares, being 55,336,666 Shares, representing approximately 56.64% of the voting rights of the Company as at the Latest Practicable Date. As stated in the Letter from the Board, the Offeror intends to continue the principal business of the Remaining Group after the Acquisition Completion. Meanwhile, the Offeror will conduct a review on the business operations and financial position of the Remaining Group for the purpose of formulating business plans and strategies for the future business development of the Remaining Group. However, no concrete plans will be materialized prior to the Acquisition Completion. As advised by the Company, the operating model of the Technology Business will remain substantially unchanged upon the Disposal Completion. As advised by the Board, the Technology Business is an information technology related business which is not capital intensive and which human resources are its most important assets. The Technology Business currently employes about 120 employees with operations in Beijing, Shanghai and Guangzhou of the PRC and marketing offices in Sheyang, Nanjing, Chengdu and Xian of the PRC. As advised by the Company, the remaining balance of the Cash Consideration is sufficient for the working capital requirement of the Remaining Group. We also note that the estimated amount of Special Dividend of approximately HK$117.2 million represents a majority amount of the Company's distributable reserves. As such, the distribution of Special Dividend provides the Shareholders an opportunity to realise part of their investment in the Company in the form of a cash dividend.

Based on the above, we are of the view that distribution of the Special Dividend is in the interests of the Independent Shareholders as a whole.

7. The Set-off

The Set-off constitutes a special deal for the Company under Rule 25 of the Takeovers Code. The Set-off represents early repayment of the Subscription Note, the Convertible Bond and the Existing Loans. As noted from the Letter from the Board, the Subscription Note, the Convertible Bond and the Existing Loans will mature in July 2007, November 2007 and August to September 2007 respectively, which will only be a few months from the expected Disposal Completion date of around January 2007.

As mentioned above, the Company has no concrete new plans or projects for the Remaining Group and therefore, has no immediate intended use of the Consideration. As advised by the Company, the remaining balance of the Cash Consideration is sufficient for the working capital requirement of the Remaining Group. Based on the existing carrying amounts of the Subscription Note, the Convertible Bond and the Existing Loans, their actual average aggregate monthly interest payable involving actual cash outflow is estimated to be approximately HK$5.2 million for the year ending 30 June 2007. Accordingly, interest payable involving actual cash outflow would be saved by the Group upon Disposal Completion.

As stated in the Letter from the Board and as mentioned in the section headed "Reasons for and benefits of entering into of the S&P Agreement" above, as a result of the early redemption of the Subscription Note and the Convertible Bond, it is expected that a net decrease in the consolidated equity of approximately HK$40 million (subject to the carrying amounts of the Subscription Note and the Convertible Bond as at the Disposal Completion Date) will be recognised by the Group upon Disposal Completion. If the Subscription Note and the Convertible Bond are redeemed or repaid on their respective maturity dates, such amount would be recognised in the consolidated equity of the Group over a longer financial period from 1 July 2006 to their respective maturity dates. However, as advised by the Company, such decrease in equity will have no actual impact on the cash flow of the Group.

Based on the above analysis, we are of the view that the Set-off is in the interests of the Company and the Independent Shareholders as a whole.

8. Financial Effects

Earnings

Upon Disposal Completion, the Group will cease to equity account for the results of the CSL NWM Group. Based on the unaudited pro forma financial statements of the Remaining Group as set out in Appendix V to the Circular, upon the Disposal Completion, the Group is expected to record an unaudited gain of approximately HK$352 million assuming the Disposal had taken place on 30 June 2006. The actual gain on the Disposal, however, is to be determined with reference to the net book value of the Company's 23.6% interest (through Upper Start) in the issued share capital of CSL NWM as at the Disposal Completion Date. We also note from the Letter from the Board that, a net decrease in the consolidated equity of the Group of approximately HK$40 million (subject to the carrying amounts of the Subscription Note and the Convertible Bond as at the Disposal Completion Date) will be recognised upon Disposal Completion.

In addition, based on the existing carrying amounts of the Subscription Note, the Convertible Bond and the Existing Loans, their average aggregate monthly interest expenses are estimated to be approximately HK$8.4 million for the year ending 30 June 2007. Upon Disposal Completion, such interest expenses would no longer be charged to the profit and loss account by the Group.

Net asset value

As stated above, upon Disposal Completion, the Group is expected to record an unaudited gain of approximately HK$352 million. As a result, the net asset value of the Group would be enhanced and improved from a net deficit position as at 30 June 2006 to a net asset position upon Disposal Completion.

Gearing

After the Set-off arrangement, the Remaining Group would have repaid the full amount of the Subscription Note, the Convertible Bond and the Existing Loans and the Remaining Group will not have any material interest bearing debt.

Working capital

Taking into the Cash Consideration and the Special Dividend (estimated to be HK$117.2 million), the Disposal will lead to an increase in cash of approximately HK$57.6 million before legal and professional cost which will be used as general working capital of the Remaining Group. Accordingly, the Disposal would have no material adverse impact on the working capital of Remaining Group.

9. The Share Offer

On 22 November 2006, the Offeror entered into the Acquisition Agreement with NWD, pursuant to which the Offeror has conditionally agreed to purchase, and NWD has conditionally agreed to procure the sale of, subject to, among other things, the Disposal Completion, the Sale Shares. The Sale Shares, being 55,336,666 Shares, represented approximately 56.64% of the voting rights of the Company as at the Latest Practicable Date.

Based on HK$0.65 per Share, the consideration payable for the Sale Shares is approximately HK$36.0 million, which will be payable in cash upon the Acquisition Completion.

Upon the Acquisition Completion, the Offeror and parties acting in concert with it will own an aggregate of 71,428,512 Shares, representing approximately 73.11% of the voting rights of the Company as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it. The Share Offer will be made at HK$0.65 per Share.

Acquisition Completion is subject to the fulfillment of a number of conditions, including the Disposal Completion. However, the Disposal is not conditional on the Acquisition Completion or the Share Offer. In other words, with or without the Acquisition or the Share Offer, the Disposal will proceed.

RECOMMENDATION

Having considered the principal factors and reasons referred to the above, we would draw your attention to the following key factors:

1. The CSL NWM Group operates in a highly competitive mobile telecommunications sector in Hong Kong and its operating margins and profitability have been affected by the increase in competition and the costs incurred in relation to the roll out of the 3G services.

2. The Company only has a 23.6% minority interest in the CSL NWM Group and the Disposal would allow the Company to realise its investment in the CSL NMW Group.

3. As a result of the Disposal, the Group is expected to record an unaudited gain of approximately HK$352 million (subject to adjustment).

4. The Disposal and the Set-Off will enable the Group to discharge the Subscription Note, the Convertible Bond and the Existing Loans. Based on the existing principal balances of the Subscription Note, the Convertible Bond and the Existing Loans, their actual average aggregate monthly interest payable involving actual cash outflow are estimated to be approximately HK$5.2 million for the year ending 30 June 2007. Accordingly, interest payable involving actual cash outflow would be saved by the Group upon Disposal Completion.

5. The Cash Consideration of approximately HK$173.2 million (subject to adjustment) will be used for the Special Dividend and as general working capital of the Remaining Group. The Special Dividend will effectively enable the Shareholders to realise part of their investments in the Company which has not paid any dividends to its Shareholders since 2001.

6. The valuation multiples implied by the Consideration are comparable to those of the Comparables.

Having taken into consideration the principal factors and reasons referred to above, we are of the opinion that the Disposal, the Special Dividend and the Special Deals are fair and reasonable and in the interests of the Company and the Shareholders as a whole and that the terms of the S&P Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote for the ordinary resolutions to be proposed at the EGM to approve the S&P Agreement (including the Special Deals) and the Special Dividend.

Yours faithfully,
For and on behalf of
CIMB-GK Securities (HK) Limited

Alex Lau
Executive Vice President

Flavia Hung
Senior Vice President

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the auditors and reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

15 December 2006

The Directors
New World Mobile Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to New World Mobile Holdings Limited (the "Company") as at 31 December 2003, 30 June 2005 and 30 June 2006, and the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended 30 June 2004, 2005 and 2006 (the "Relevant Periods") for inclusion in the circular of the Company dated 15 December 2006 (the "Circular") in connection with the proposed disposal of the entire issued share capital of, and loan to, Upper Start Holdings Limited by the Company to New World Development Company Limited, the controlling shareholder of the Group (the "Disposal").

The Company was incorporated in the Cayman Islands on 25 May 1998 with limited liability. As at the date of this report, the Company has direct and indirect interests in the subsidiaries and associated companies as set out in notes 20 and 21 respectively of Section II below, all of which are private companies. All companies now comprising the Group have adopted 30 June as their financial year end date, except for those companies incorporated in the People's Republic of China which adopt 31 December as their financial year end, and those as disclosed in note 21 of Section II below.

We acted as auditors of the Company for the year ended 31 December 2003, for the eighteen months ended 30 June 2005 and for the year ended 30 June 2006. We also acted as the auditors of the Group for the three years ended 30 June 2004, 2005 and 2006, other than those specified in note 21 of Section II below.

For the purpose of this report, we have examined the financial information of the Group for each of the three years ended 30 June 2004, 2005 and 2006 and of the Company as at 31 December 2003, 30 June 2005 and 30 June 2006 (the "Financial Information"), and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information as set out in Sections I and IV has been prepared in accordance with accounting principles generally accepted in Hong Kong and accounting standards issued by the HKICPA, based on the audited financial statements of the Group for the Relevant Periods, after making such adjustments as are appropriate.

The directors of the Company are responsible for preparing these financial statements which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are also responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 December 2003, 30 June 2005 and 30 June 2006, and of the Group as at 30 June 2004, 2005 and 2006 and of the consolidated results and cash flows of the Group for the years then ended.

I FINANCIAL INFORMATION

(a) CONSOLIDATED INCOME STATEMENTS

		Year ended		
		30 June 2004	**30 June 2005**	**30 June 2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
		As restated		
Continuing operations:				
Turnover	*6*	–	4,261	16,515
Cost of sales	*11*	–	(1,330)	(4,842)
Gross profit		–	2,931	11,673
Other income	*9*	–	108	823
Other net gains/(losses)	*10*	–	942	(65,436)
Selling expenses	*11*	–	(290)	(9,775)
Administrative expenses	*11*	–	(5,993)	(35,797)
Operating loss		–	(2,302)	(98,512)
Finance costs	*12*	–	(44,739)	(62,786)
Share of results of associated companies	*21*	–	–	27,731
Loss before taxation		–	(47,041)	(133,567)
Taxation	*16*	–	(51)	–
Loss from continuing operations		–	(47,092)	(133,567)
Discontinued operations:				
Profit from discontinued operations	*8*	111,177	36,693	1,045,209
Profit/(loss) attributable to shareholders		111,177	(10,399)	911,642
Basis earnings/(loss) per share				
– Continuing operations	*17*	–	(HK$0.60)	(HK$1.48)
– Discontinued operations	*17*	HK$2.67	HK$0.47	HK$11.56
		HK$2.67	(HK$0.13)	HK$10.08
Diluted earnings/(loss) per share	*17*	N/A	N/A	N/A

(b) CONSOLIDATED BALANCE SHEETS

		Group		
		As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
		As restated		
ASSETS				
Non-current assets				
Property, plant and equipment	*19*	1,186,236	1,068,301	6,183
Investments in associated companies	*21*	–	–	2,142,737
Intangible assets	*22*	–	65,964	–
Deferred taxation	*23*	188,487	167,472	–
Rental and other deposits		10,659	8,882	–
		1,385,382	1,310,619	2,148,920
Current assets				
Inventories	*24*	29,657	38,024	–
Trade receivables	*25*	83,218	94,015	4,266
Prepayments, deposits, and other receivables		11,285	42,112	1,368
Rental and other deposits		33,380	39,421	–
Amounts due from fellow subsidiaries		3,098	29	–
Amount due from an associated company	*27*	–	–	113,328
Amount due from a related company	*28*	–	813	813
Cash and bank balances	*29*	94,444	116,534	27,691
		255,082	330,948	147,466
Total assets		1,640,464	1,641,567	2,296,386
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	*31*	1	300	16,154
Other reserves	*32*	999	(88,051)	(82,905)
Accumulated losses		(931,781)	(942,180)	(30,538)
Deficit on shareholders' funds		(930,781)	(1,029,931)	(97,289)

		Group		
		As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
		As restated		
LIABILITIES				
Non-current liabilities				
Amount due to the immediate holding company	*33*	933,592	–	–
Loans from a fellow subsidiary	*33*	–	877,500	278,024
Promissory note issued to a fellow subsidiary	*33*	–	–	886,749
Non-current portion of long-term liabilities		102,500	–	–
Convertible bond	*34*	–	28,250	28,261
Subscription note	*2*	–	1,131,199	1,178,008
Asset retirement obligations		5,908	6,529	–
		1,042,000	2,043,478	2,371,042
Current liabilities				
Trade payables	*30*	44,305	108,086	809
Accrued charges, other payables, deposits received and deferred income		356,867	405,456	15,779
Amount due to the ultimate holding company		73	–	–
Amounts due to fellow subsidiaries	*26*	–	11,132	420
Amount due to an associated company	*27*	–	–	5,625
Amount due to a related company		–	846	–
Promissory note issued to the immediate holding company	*33*	858,000	–	–
Current portion of long-term liabilities		270,000	102,500	–
		1,529,245	628,020	22,633
Total liabilities		2,571,245	2,671,498	2,393,675
Total equity and liabilities		1,640,464	1,641,567	2,296,386
Net current (liabilities)/assets		(1,274,163)	(297,072)	124,833
Total assets less current liabilities		111,219	1,013,547	2,273,753

(c) BALANCE SHEETS

		Company		
		As at 31 December 2003	**As at 30 June 2005**	**As at 30 June 2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*19*	1,380	90	–
Investments in subsidiaries	*20*	137,312	1,521,385	2,497,576
		138,692	1,521,475	2,497,576
Current assets				
Amount due from an associated company	*27*	161	–	113,328
Amount due from a jointly controlled entity		203	–	–
Amount due from a related company	*28*	–	225	225
Prepayments, deposits and other receivables		103	74	87
Cash and bank balances		22,383	188	10,564
		22,850	487	124,204
Total assets		161,542	1,521,962	2,621,780
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	*31*	37,515	79,182	95,336
Other reserves	*32*	452,101	119,297	124,143
Retained profits		(358,118)	162,354	16,781
Shareholders' funds		131,498	360,833	236,260

		Company		
		As at 31 December 2003	**As at 30 June 2005**	**As at 30 June 2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES				
Non-current liabilities				
Loans from a fellow subsidiary	*33*	–	–	278,024
Promissory note issued to a fellow subsidiary	*33*	–	–	886,749
Convertible bond	*34*	27,881	28,250	28,261
Subscription note	*2*	–	1,131,199	1,178,008
		27,881	1,159,449	2,371,042
Current liabilities				
Amount due to an associated company	*27*	12	–	5,625
Amounts due to fellow subsidiaries	*26*	376	563	420
Accrued charges and other payables		1,775	1,117	8,433
		2,163	1,680	14,478
Total liabilities		30,044	1,161,129	2,385,520
Total equity and liabilities		161,542	1,521,962	2,621,780
Net current assets/(liabilities)		20,687	(1,193)	109,726
Total assets less current liabilities		159,379	1,520,282	2,607,302

(d) CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 30 June 2004 HK$'000 As restated	30 June 2005 HK$'000	30 June 2006 HK$'000
Operating activities				
Cash used in continuing operations	35	–	(4,822)	(26,304)
Interest paid		–	(1,473)	(16,108)
Hong Kong profits tax paid		–	(51)	–
Net cash used in continuing operations		–	(6,346)	(42,412)
Net cash generated from discontinued operations		403,605	388,521	131,421
Net cash generated from operating activities		403,605	382,175	89,009
Investing activities				
Purchase of property, plant and equipment		–	–	(86)
Acquisition of subsidiaries	36(a)	–	45,630	9,896
Disposal of subsidiaries	37	–	–	384
Acquisition of associated companies	36(b)	–	–	(276,384)
Dividend received from an associated company	21	–	–	7,523
Sales of other investments		–	900	–
Sales of investment securities		–	3,609	–
Interest received		–	108	823
Net cash generated from/(used in) continuing operations		–	50,247	(257,844)
Net cash used in discontinued operations		(152,790)	(140,259)	(96,302)
Net cash used in investing activities		(152,790)	(90,012)	(354,146)
Financing activities				
Increase in loans from a fellow subsidiary		–	–	278,024
Repayment of bank loan and amount due to the ultimate holding company of discontinued operations		(270,010)	(270,073)	(102,500)
Net cash generated from/(used in) financing activities		(270,010)	(270,073)	175,524
Net (decrease)/increase in cash and cash equivalents		(19,195)	22,090	(89,613)
Cash and cash equivalents as at the beginning of the year		113,639	94,444	116,534
Cash and cash equivalents as at the end of the year		94,444	116,534	26,921
Analysis of cash and cash equivalents:				
Cash and bank balances		94,444	116,534	27,691
Less: Restricted bank balances	29	–	–	(770)
		94,444	116,534	26,921

(e) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Other reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2003	1	999	(1,042,958)	(1,041,958)
Profit for the year, as previously stated	–	–	163,131	163,131
Effect of change in accounting policy of handset subsidies *(Note 3a)*	–	–	(51,954)	(51,954)
Profit for the year, as restated	–	–	111,177	111,177
At 30 June 2004, as restated	1	999	(931,781)	(930,781)
At 30 June 2004, as previously stated	1	999	(879,827)	(878,827)
Effect of change in accounting policy of handset subsidies *(Note 3(a))*	–	–	(51,954)	(51,954)
At 30 June 2004, as restated	1	999	(931,781)	(930,781)
Issue of shares *(Notes 31 and 32(a))*	299	913,793	–	914,092
Arising from Reverse Acquisition *(Note 2)*	–	(1,115,538)	–	(1,115,538)
Renewal of convertible bond	–	40	–	40
Issue of subscription note	–	112,655	–	112,655
Loss for the year	–	–	(10,399)	(10,399)
At 30 June 2005	300	(88,051)	(942,180)	(1,029,931)
At 30 June 2005	300	(88,051)	(942,180)	(1,029,931)
Issue of shares *(Note 31 and 32(a))*	16,154	4,846	–	21,000
Disposal of subsidiaries *(Note 31(a))*	(300)	300	–	–
Profit for the year	–	–	911,642	911,642
At 30 June 2006	16,154	(82,905)	(30,538)	(97,289)

II NOTES TO THE FINANCIAL STATEMENTS

1 General information

On 31 March 2006, New World Mobile Holdings Limited (the "Company") disposed of its entire interests in New World PCS Holdings Limited ("NWPCS Holdings") and its subsidiaries (hereinafter collectively referred to as the "NWPCS Group") in exchange for the acquisition of 23.6% interests of the issued share capital of CSL New World Mobility Limited ("CSL NWM") and its subsidiaries (hereinafter collectively referred to as the "CSL NWM Group" which represents the enlarged group combining Telstra CSL Limited and NWPCS Group).

Before 31 March 2006, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") was principally engaged in offering mobile telecommunications services including voice and data services tailored to the specific needs of individual customer groups via mobile technology in Hong Kong and technology-related business including mobile Internet services in The People's Republic of China (the "PRC"). After 31 March 2006, the Group is principally engaged in technology related business including mobile Internet services in Mainland China and holds 23.6% interest in the CSL NWM Group which offer mobile communications services in Hong Kong.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company's issued shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

On 29 March 2004, the Company, formerly known as Asia Logistics Technologies Limited ("ALT"), entered into a conditional subscription agreement (the "Subscription Agreement") with Power Palace Group Limited ("PPG"), a wholly-owned subsidiary of New World Development Company Limited ("NWD"), pursuant to which PPG agreed to subscribe for:

(a) 4,166,666,667 shares of newly issued ordinary share of the Company (the "Subscription Shares", equivalent to 41,666,666 consolidated shares after the share consolidation of the Company on 7 July 2004) at an issue price of HK$0.012 per Subscription Share, representing the closing price of the last trading day of the ALT shares prior to suspension; and

(b) a convertible note (the "Subscription Note") of a principal amount of HK$1,200,000,000, unless previously converted, will be repaid by the Company upon its maturity on the business day immediately preceding the third anniversary of the date of its issue. It bears a coupon from its date of issue at the rate of 0.75% per annum and, at the discretion of the holder, can be converted, in whole or in part thereof, into ordinary shares of the Company at an initial conversion price of HK$0.012 per share, subject to adjustment. The conversion price was subsequently adjusted to HK$1.20 per share after the share consolidation of the Company on 7 July 2004.

Both the Subscription Shares and the Subscription Note were issued on 6 July 2004.

The fair values of the liability component and the equity component of the Subscription Note were determined at issuance of the Subscription Note.

The fair value of the liability component, included in non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of equity component, is included in shareholders' equity in other reserves net of deferred income taxes, if any.

The fair value of the liability component of the Subscription Note as at 30 June 2005 and 30 June 2006 approximated its carrying value respectively.

Interest expenses on the Subscription Note are calculated using the effective interest method by applying the effective interest rate of 4.1% per annum to the liability component.

On 29 March 2004, the Company entered into a conditional sale and purchase agreement (the "S&P Agreement") with New World Telephone Holdings Limited ("NWTHL"), a wholly-owned subsidiary of NWD, pursuant to which the Company agreed to purchase the 100% equity interest of the NWPCS Group from NWTHL at an aggregate cash consideration of HK$1,250,000,000. This transaction (the "Reverse Acquisition") was completed on 6 July 2004 (the "Completion Date").

Under the generally accepted accounting principles in Hong Kong, the Reverse Acquisition, after taking into account the issuance of Subscription Shares, should constitute a reverse acquisition from accounting perspective since NWD has become the controlling shareholder of the Company after the Reverse Acquisition. For accounting purposes, NWPCS Holdings is regarded as the acquirer while the Company and its subsidiaries before the Reverse Acquisition (collectively, the "Logistics Group") are deemed to have been acquired by NWPCS Holdings. As a result, these consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the NWPCS Group which has a financial year end date of 30 June, and accordingly:

(i) the assets and liabilities of the Logistics Group are recognised and recorded at the Completion Date at their fair values (the "Net Fair Value");

(ii) the assets and liabilities of the NWPCS Group are recognised and recorded at the Completion Date at their historical carrying values prior to the Reverse Acquisition;

(iii) the purchase consideration is deemed to have been incurred by NWPCS Holdings for the Reverse Acquisition and is determined by the total fair value of all the issued shares of the Company at the Completion Date (the "Deemed Consideration");

(iv) the goodwill arising from the Reverse Acquisition is determined by the surplus of the Deemed Consideration over the Net Fair Value;

(v) the capital and reserves of the Logistics Group upon the Completion Date are eliminated as the pre-acquisition reserves;

(vi) the consolidated issued equity of the Group as shown in the consolidated balance sheet represents the issued share capital and share premium balances of NWPCS Holdings upon the Completion Date, plus all the post-acquisition changes in the issued share capital and share premium of the Company, if any. On the other hand, the number and type of issued shares presented represent the actual equity structure of the Company;

(vii) the difference between the actual consideration paid by the Company for the Reverse Acquisition and the Deemed Consideration is transferred to a consolidation reserve of the Group; and

(viii) the information for the year ended 30 June 2004 in these consolidated financial statements is that of the NWPCS Group.

In order to have a coterminous financial year end date with NWD and the NWPCS Group, the Board has resolved on 10 December 2004 that the financial year end date of the Company be changed from 31 December to 30 June. Accordingly, the Company's balance sheets are based on 31 December 2003, 30 June 2005 and 30 June 2006 audited financial statements of the Company.

3 Principal accounting policies

(a) Changes in accounting policies

(i) New accounting standards

Certain new standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not yet adopted, are as follows:

Effective for the year ending 30 June 2007

HKAS 19 Amendment	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 Amendment	Net investment in a foreign operation
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 and HKFRS 4 Amendments	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 1 and 6 Amendment	First-time adoption of Hong Kong Financial Reporting Standards and exploration for and evaluation of mineral resources
HKFRS-Int 4	Determining whether an arrangement contains a lease
HKFRS-Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK (IFRIC)-Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK (IFRIC)-Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC)-Int 8	Scope of HKFRS 2
HK (IFRIC)-Int 9	Reassessment of embedded derivatives

Effective for the year ending 30 June 2008

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial instruments: disclosures
HK (IFRIC)-Int 10	Interim reporting and impairment

HKAS 1 Amendment introduces disclosures about the level of an entity's capital and how it manages capital. HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

HK (IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of intragroup transactions, HKFRS 6, HKFRS 1 and 6 Amendment, HKFRS-Int 5, HK (IFRIC)-Int 6 and HK (IFRIC)-Int 7 are not relevant to the Group's operations. Except as stated above, the Group expects that the adoption of the other amendments and interpretations listed above will not have any significant impact on the Group's financial statement in the period of initial application.

(ii) Changes in accounting policies in respect of handset subsidies

In prior years, when handset and mobile subscription services were sold at a package with handset subsidies offered to customers, consideration would be allocated to handset sales and mobile subscription services using the relative fair value model. Accordingly, the portion allocated to handset sales was recognised as sales upon delivery of goods, and the remaining amount allocated to mobile subscription services was amortised on a straight-line basis over the contract period. Handset subsidies were capitalised and amortised on a straight-line basis over the same contract period.

During the year ended 30 June 2006, the Group changed its accounting policy to expense handset subsidies as incurred. The directors consider that the new accounting policy involves less subjective judgement and estimates. The financial impact has been restated retrospectively in the year ended 30 June 2004. There was no financial impact for the year ended 30 June 2003 or before.

The effect of the change resulted in:

	Year ended 30 June 2004 *HK$'000*
Decrease in turnover of discontinued operations	(42,602)
Increase in cost of sales of discontinued operations	(9,352)
Decrease in profit for the year	(51,954)
Decrease in basic earnings per share	HK$1.25

	As at 30 June 2004 *HK$'000*
Decrease in handset subsidies	(9,352)
Increase in accrued charges, other payables, deposits received and deferred income	(42,602)
Decrease in net assets	(51,954)
Increase in accumulated losses	(51,954)

(b) Group accounting

(i) Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and all its direct and indirect subsidiaries made up to 30 June.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of subsidiaries represents the difference between the proceeds of the sale and the Group's share of their net assets.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The group's investments in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associated companies' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	20%
Furniture and fittings	20%
Leasehold improvements	shorter of the lease term or 20%
Motor vehicles	20%
Testing equipment	33.33%
Digital, switching and transmission system	10% – 20%

Building situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

No depreciation is provided for any part of the construction in progress.

Historical costs of property, plant and equipment include expenditures that are directly attributable to the construction or acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises all direct costs of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(h) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(i) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to eligible employees in Hong Kong, the assets of which are held in separate trustee administered funds. The Group's contribution to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

For employees in the Mainland China, the Group contributes to retirement schemes managed by local municipal authorities in the Mainland China based on a percentage of the relevant employee's monthly salaries. The Group's contributions under such schemes are charged to the income statement as incurred while the relevant local municipal authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group in the Mainland China.

(iii) Bonus

Provisions for bonus due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iv) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(j) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(l) Revenue recognition

Mobile communications services revenue was recognised when the service was rendered and was based on the usage of the digital mobile radio telecommunication network and facilities. Mobile communications services revenue in respect of standard service plans billed in advance at year end was deferred and recognised when the service was rendered. Revenue received in advance for the provision of mobile communications services using prepaid cards was deferred and amortised based on the actual usage by customers. The portion of deferred revenue was included under current liabilities as deferred income.

Revenue from sales of mobile handsets and accessories was recognised when goods were delivered and title had passed.

The Group derives technology related services revenue from the provision of value-added telecommunications services ("VAS"). Wireless VAS revenue is derived principally from providing mobile phones users with short messaging services, multimedia messaging services and wireless application protocol. These services are substantially billed on a monthly subscription basis or a per message basis ("Service Fees"). These services are predominately delivered through the platforms of various subsidiaries of China Mobile Communications Corporation and they also collect the Service Fees on behalf of the Group.

Operating lease rental income is recognised on a straight-line basis over the period of the leases.

Revenue from the provision of logistics technology services and logistics management services is recognised when services are rendered.

Interest income is recognised on a time proportion basis using the effective interest method.

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(n) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Segment assets exclude deferred taxation, goodwill, operating assets of the investment holding companies in the Group, amount due from an associated company arising from disposal of subsidiaries, and cash and bank balances. Segment liabilities exclude operating liabilities of investment holding companies in the Group or borrowings.

(o) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Investments

From 1 January 2003 to 30 June 2005, the Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as non-trading securities and trading securities. Investment securities were stated at cost less any provision for impairment losses. The carrying amounts of individual investments were reviewed at each balance sheet date to assess whether the fair values had declined below the carrying amounts. When a decline other than temporary had occurred, the carrying amount of such securities would be reduced to its fair value. The impairment loss was recognised as an expense in the income statement. This impairment loss was written back to income statement when the circumstances and events that led to the write-downs or write-offs ceased to exist and there was persuasive evidence that the new circumstances and events would persist for the foreseeable future.

From 1 July 2005 onwards, the Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

(r) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale under HKFRS 5.

(s) Licences

Licences are capitalised on the basis of the costs incurred to acquire and bring to us a specific licence. Licences have a definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. Other costs associated with the licences are recognised as expenses as incurred.

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, cash flow and fair value interest rate risks and foreign exchange risk.

The Group's risk management program seeks to minimise the potential adverse effects of financial risks on the Group's performance.

(i) Credit risk

The Group has policies in place to ensure that provision of services are made to customers with an appropriate credit history.

(ii) Liquidity risk

The Group monitors current and expected liquidity requirements to ensure sufficient cash and adequate amount of committed credit facilities are maintained.

(iii) Cash flow and fair value interest rate risks

As the Group has no significant interest-bearing assets, the Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

(iv) Foreign exchange risk

The Group mainly operates in the Mainland China and Hong Kong with most of the transactions settled in Hong Kong dollars and Renminbi ("RMB"). The Group's assets and liabilities, and transactions arising from its operations that are exposed to foreign exchange risk are primarily with respect to RMB. The Group has not used any forward contracts or currency borrowings to hedge its exposure as foreign exchange risk is considered minimal.

(b) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3(d). The recoverable amounts of cash generating units have been determined based on the higher of their fair values less costs and their value-in-use calculations. These value-in-use calculations require the use of estimates. If the revised estimated gross margin at 30 June 2007 had been lower than management's estimates at 30 June 2006, the Group may need to reduce the carrying value of goodwill. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been higher than management's estimates, the Group may need to reduce the carrying value of goodwill. Further, if the actual gross margin had been higher or the pre-tax discounted rate lower than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

(ii) Estimated useful lives and impairment of property, plant and equipment

For the years ended 30 June 2004 and 30 June 2005, property, plant and equipment used in the network of the NWPCS Group were long-lived but might be subject to technical obsolescence. The annual depreciation charges were affected by the estimated useful lives the Group allocated to each type of property, plant and equipment. Management performed annual reviews to assess the appropriateness of their estimated useful lives. Such reviews took into account the technological changes, prospective economic utilisation and physical condition of the assets concerned. Management also regularly reviewed whether there were any indications of impairment and would recognise an impairment loss if the carrying amount of an asset was lower than its recoverable amount which was the greater of its net selling price or its value in use. In determining the value in use, management assessed the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements were applied in determining these future cash flows and the discount rate. Management estimated the future cash flows based on certain assumptions, such as the market competition and development and the expected growth in subscribers and average revenue per subscriber.

(iii) Asset retirement obligations

The Group evaluated and recognised, on a regular basis, the fair value of assets retirement obligations of the NWPCS Group which arose from future reinstatement of leased properties upon end of lease terms. To establish the fair value of the asset retirement obligations, estimates and judgement were applied in determining these future cash flows and the discount rate. Management estimated the future cash flows based on certain assumptions, such as the types of leased properties, probability of renewal of lease terms and restoration costs. The discount rate used was referenced to the Group's historical weighted average cost of capital.

(iv) Deferred tax

The Group provides for deferred taxation in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are only recognised to the extent that it is probable future taxation profits will be available against which the unused tax losses or unused tax credits can be utilised, and significant judgement is required in determining whether it is probable.

6 Turnover

The Group is principally engaged in the provision of mobile communications services, the sales of mobile handsets and accessories and the provision of technology related services. The Group has ceased the provision of mobile communications services and the sale of mobile handsets and accessories following the disposal of subsidiaries set out in Note 37. Revenues from the provision of mobile communications services and the sales of mobile handsets and accessories recognised the years ended 30 June 2004 and 2005 and during the year up to the date of disposal of the subsidiaries are set out in Note 8. Revenues from continuing operations recognised during the years are as follows:

	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Technology related services	–	–	16,381
Gross rental income from an investment property	–	–	134
Logistics services	–	4,261	–
	–	4,261	16,515

7 Segment reporting

(a) For the year ended 30 June 2004, more than 90% of the Group's turnover and operating profit were attributable to the discontinued mobile telecommunications operations of the NWPCS Group in Hong Kong. Accordingly, no analysis by either business or geographical segment is presented.

(b) Primary reporting format – business segments

For the year ended 30 June 2006, the business segments include:

– technology related services; and
– mobile communications services.

The segment results for the year ended 30 June 2006 are as follows:

	Continuing			Discontinued
	Technology related services *HK$'000*	**Mobile communications services** *HK$'000*	**Total** *HK$'000*	**Mobile communications services** *(Note 8)* *HK$'000*
Turnover	16,515	–	16,515	1,402,827
Segment results	(14,759)	–	(14,759)	60,706
Other income			823	716
Other net (losses)/gains	(6,995)	–	(6,995)	1,022,979
Other net losses – unallocated			(58,441)	–
Unallocated corporate expenses			(19,140)	–
Operating (loss)/profit			(98,512)	1,084,401
Finance costs			(62,786)	(34,319)
Share of results of associated companies	–	27,731	27,731	–
(Loss)/profit before taxation			(133,567)	1,050,082
Taxation			–	(4,873)
(Loss)/profit for the year			(133,567)	1,045,209
Depreciation	(867)	–	(867)	(198,703)
Unallocated depreciation			(129)	–
			(996)	(198,703)
Capital expenditures	86	–	86	97,354
(Impairment loss)/reversal of impairment loss of				
– intangible assets arising from the acquisition of the NWCS Group *(Note 36(a))*	(6,995)	–	(6,995)	–
– intangible assets (goodwill arising from Reverse Acquisition)			(65,964)	–
– investments in associated companies			7,523	–
– trade receivables	(215)	–	(215)	(8,706)
			(65,651)	(8,706)

The turnover and operating loss before finance costs derived from the Group's operation in logistics services constituted less than 10% of the Group's turnover and operating loss before finance costs, therefore, the logistics services business segment ceased to be a reportable segment for the year ended 30 June 2006.

The segment results for the year ended 30 June 2005 are as follows:

	Continuing		**Discontinued**
	Logistics services	**Total**	**Mobile communications services** *(Note 8)*
	HK$'000	*HK$'000*	*HK$'000*
Turnover	4,261	4,261	1,662,873
Segment results	(1,246)	(1,246)	77,729
Other income		108	527
Other gains		2,189	–
Unallocated corporate expenses		(3,353)	–
Operating (loss)/profit		(2,302)	78,256
Finance costs		(44,739)	(20,548)
(Loss)/profit before taxation		(47,041)	57,708
Taxation		(51)	(21,015)
(Loss)/profit for the year		(47,092)	36,693
Depreciation	(722)	(722)	(258,191)
Unallocated depreciation		(345)	–
		(1,067)	(258,191)
Capital expenditures	–	–	140,791

(b) The segment assets and liabilities as at 30 June 2006 are as follows:

	Technology related services	Mobile communications services	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	11,292	–	11,292
Investments in associated companies	–	2,142,737	2,142,737
Intangible assets	–	–	–
Unallocated assets			142,357
Total assets			2,296,386
Segment liabilities	6,458	–	6,458
Unallocated liabilities			2,387,217
Total liabilities			2,393,675

The assets of the Group's operations in logistics services constituted less than 10% of the total assets of the Group's as at 30 June 2006, therefore, the logistics services business segment ceased to be a reportable segment.

The segment assets and liabilities as at 30 June 2005 are as follows:

	Mobile communications services	Logistics services	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	1,290,080	1,129	1,291,209
Investments in associated companies	–	–	–
Intangible assets	65,964	–	65,964
Unallocated assets			284,394
Total assets			1,641,567
Segment liabilities	522,764	189	522,953
Unallocated liabilities			2,148,545
Total liabilities			2,671,498

As a result of the adoption of HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the presentation of the consolidated income statement and consolidated cash flow statement has been changed retrospectively for the year ended 30 June 2004.

(c) The Group's business segments are operating in two main geographical areas:

Hong Kong : Mobile communications services, which are classified as discontinued operations, and technology related services; and

Mainland China : Technology related services.

	Segment assets	
	As at 30 June 2005	**As at 30 June 2006**
	HK$'000	*HK$'000*
Hong Kong	1,290,643	207
Mainland China	566	11,085
	1,291,209	11,292

	Turnover		Capital expenditure	
	30 June 2005	**30 June 2006**	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong – continuing	4,261	–	–	–
Hong Kong – discontinued	1,662,873	1,402,827	140,791	97,354
Mainland China	–	16,515	–	86
	1,667,134	1,419,342	140,791	97,440

8 Discontinued operations

During the year ended 30 June 2006, the Group entered into a merger agreement and amendment agreements pursuant to which the Group disposed of its entire interests in the NWPCS Group to Telstra CSL Limited which has changed its name to CSL NWM and made a cash payment of HK$244,024,000 in exchange for the acquisition of 23.6% of the issued share capital of the CSL NWM Group representing the enlarged group combining Telstra CSL Limited and the NWPCS Group, and an amount due from CSL NWM, the associated company, of HK$113,328,000 (the "Merger Transaction"). The Merger Transaction was approved by the shareholders of the Company at the Extraordinary General Meeting on 24 March 2006 and completed on 31 March 2006. Hence, the NWPCS Group ceased to be subsidiaries of the Group and became part of the CSL NWM Group, being the associated companies of the Group after the Merger Transaction.

The consolidated income statement and consolidated cash flow statement have been represented for the year ended 30 June 2004 in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

An analysis of the results and cash flows of the discontinued operations is as follows:

	Year ended 30 June 2004	Year ended 30 June 2005	Nine months ended 31 March 2006
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Turnover	1,656,142	1,662,873	1,402,827
Cost of sales	(782,576)	(890,316)	(836,095)
Gross profit	873,566	772,557	566,732
Other revenue	115	527	716
Other charge	(3,690)	(1,081)	(545)
Selling expenses	(104,506)	(101,178)	(85,313)
Administrative expenses	(611,106)	(592,569)	(420,168)
Operating profit	154,379	78,256	61,422
Finance costs	(7,336)	(20,548)	(34,319)
Gain on disposal of subsidiaries	–	–	1,022,979
Profit before tax	147,043	57,708	1,050,082
Taxation	(35,866)	(21,015)	(4,873)
Profit from discontinued operations	111,177	36,693	1,045,209

9 Other income

	Year ended		
	30 June 2004	30 June 2005	30 June 2006
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Bank interest income	–	108	823

10 Other net gains/(losses)

	Year ended		
	30 June 2004	30 June 2005	30 June 2006
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Loss on disposal of property, plant and equipment	–	(1,247)	–
Gains on disposal of other investments	–	100	–
Gain on disposal of investment securities	–	2,089	–
Impairment loss on intangible assets	–	–	(72,959)
Reversal of impairment on investments in associated companies *(Note 21)*	–	–	7,523
	–	942	(65,436)

11 Expenses by nature

Expenses included in cost of sales, selling and administrative expenses are analysed as follows:

	Year ended 30 June 2004 *HK$'000* As restated	30 June 2005 *HK$'000*	30 June 2006 *HK$'000*
Auditors' remuneration			
– Over provision in prior years for principal auditors	–	–	(190)
– Current year provision for principal auditors	–	1,182	1,100
– Current year provision for non-principal auditors	270	–	1,185
	270	1,182	2,095
Less: Current year provision for principal auditors included in discontinued operations	–	(598)	(400)
Current year provision for non-principal auditors included in discontinued operations	(270)	–	(348)
	–	584	1,347
Depreciation of property, plant and equipment	–	1,067	996
Net exchange losses	–	13	384
Operating lease rentals for land and buildings	–	–	1,021
Provision for impairment of trade receivables	–	–	215
Staff costs, including directors' emoluments *(Note 13)*	–	4,257	20,213

12 Finance costs

	Year ended 30 June 2004 *HK$'000* As restated	30 June 2005 *HK$'000*	30 June 2006 *HK$'000*
Interest on loans from a fellow subsidiary	–	–	3,618
Interest on promissory note issued to a fellow subsidiary	–	–	11,499
Interest on convertible bond *(Note 34)*	–	885	860
Interest on Subscription Note *(Note 2)*	–	43,854	46,809
	–	44,739	62,786

13 Staff costs (including directors' emoluments)

	Year ended 30 June 2004 *HK$'000* As restated	Year ended 30 June 2005 *HK$'000*	Year ended 30 June 2006 *HK$'000*
Wages and salaries	–	1,864	12,182
Bonuses	–	1,200	6,165
Pension costs – defined contribution plans	–	–	1,866
Termination benefits	–	1,193	–
	–	4,257	20,213

14 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the years are as follows:

	Year ended 30 June 2004 *HK$'000*	Year ended 30 June 2005 *HK$'000*	Year ended 30 June 2006 *HK$'000*
Fees	–	770	780
Other emoluments:			
Salaries and allowances	–	3,000	3,000
Bonuses	–	2,902	6,505
Pension costs – defined contribution plans	–	150	225
	–	6,822	10,510

No emoluments were paid to the directors of the Company during the year ended 30 June 2004 as the Company was not yet consolidated into the NWPCS Group in the year ended 30 June 2004.

For the year ended 30 June 2006, directors' emoluments of HK$5,786,000 (2005: HK$1,970,000) was included in staff costs of loss from continuing operations which was included in note 13 presented above while the remaining HK$4,724,000 (2005: HK$4,852,000) was included in profit from discontinued operations.

Details of the emoluments paid and payable to the directors of the Company are as follows:

	Year ended 30 June 2005				
Name of Director	**Fees**	**Basic salaries and allowances**	**Bonuses**	**Provident fund contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Dr. Wai Fung Man, Norman	50	3,000	1,702	150	4,902
Dr. Cheng Kar Shun, Henry	119	–	–	–	119
Mr. Doo Wai Hoi, William, *JP*	49	–	–	–	49
Mr. To Hin Tsun, Gerald	51	–	600	–	651
Mr. Chow Yu Chun, Alexander	49	–	600	–	649
Non-Executive Directors					
Mr. Lo Lin Shing, Simon	51	–	–	–	51
Mr. Ho Hau Chong, Norman	50	–	–	–	50
Independent Non-Executive Directors					
Mr. Wei Chi Kuan, Kenny	120	–	–	–	120
Mr. Kwong Che Keung, Gordon	119	–	–	–	119
Mr. Cheng Ming Fun, Paul *JP (Note)*	83	–	–	–	83
Mr. Hui Chiu Chung, *JP*	29	–	–	–	29
	770	3,000	2,902	150	6,822

Note:

Mr. Cheng Ming Fun, Paul, *JP* resigned as director of the Company on 6 April 2005.

	Year ended 30 June 2006				
Name of Director	Fees	Basic salaries and allowances	Bonuses	Provident fund contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Dr. Wai Fung Man, Norman	50	3,000	5,305	225	8,580
Dr. Cheng Kar Shun, Henry	120	–	–	–	120
Mr. Doo Wai Hoi, William, *JP*	50	–	–	–	50
Mr. To Hin Tsun, Gerald	50	–	600	–	650
Mr. Chow Yu Chun, Alexander	50	–	600	–	650
Non-Executive Directors					
Mr. Lo Lin Shing, Simon	50	–	–	–	50
Mr. Ho Hau Chong, Norman	50	–	–	–	50
Independent Non-Executive Directors					
Mr. Wei Chi Kuan, Kenny *(Note)*	120	–	–	–	120
Mr. Kwong Che Keung, Gordon	120	–	–	–	120
Mr. Hui Chiu Chung, *JP*	120	–	–	–	120
	780	3,000	6,505	225	10,510

Note:

Mr. Wei Chi Kuan, Kenny resigned on 8 September 2006.

None of the directors of the Company waived any emoluments during the years ended 30 June 2005 and 2006.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one, one and no director whose emoluments are reflected in the analysis presented above for the years ended 30 June 2006, 2005 and 2004 respectively. The emoluments payable to the remaining four, four and five individuals during the years ended 30 June 2006, 2005 and 2004 respectively are as follows:

	Year ended		
	30 June 2004	30 June 2005	30 June 2006
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	9,624	6,098	4,636
Bonuses	3,108	2,838	2,188
Pension costs – defined contribution plans	499	300	281
	13,231	9,236	7,105

The emoluments of the individuals fell within the following bands:

	Number of individuals		
	30 June 2004	30 June 2005	30 June 2006
Emolument bands			
HK$1,000,001 to HK$1,500,000	–	–	2
HK$1,500,001 to HK$2,000,000	2	2	1
HK$2,000,001 to HK$2,500,000	2	1	1
HK$2,500,001 to HK$3,000,000	–	1	–
HK$3,000,001 to HK$3,500,000	–	–	–
HK$3,500,001 to HK$4,000,000	–	–	–
HK$4,000,001 to HK$4,500,000	1	–	–

15 Retirement benefits

During the years ended 30 June 2004 and 2005 and the nine months ended 31 March 2006, the Group contributed to an Occupational Retirement Scheme (the "ORSO Scheme") for employees in Hong Kong. Under the ORSO Scheme, the employees are required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at a range from 5% to 10% of the monthly salaries of employees. The employees are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years of service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the ORSO Scheme prior to vesting fully in the Group's contributions. Since 1 April 2006, the Group ceased to contribute to the ORSO Scheme as all existing employees under the ORSO scheme had selected to change to a mandatory provident fund scheme (the "MPF Scheme") established by the Company under Hong Kong Mandatory Provident Fund Scheme Ordinance for employees in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,000 per month as a mandatory contribution, while the Group's contribution are calculated at a range from 5% to 10% of each individual's relevant income. Employer's mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF Scheme. Employees may also elect to contribute more than the minimum as a voluntary contribution.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries in the PRC for employees in the PRC.

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the consolidated income statement during the years are as follows:

	Year ended		
	30 June 2004	30 June 2005	30 June 2006
	HK$'000	*HK$'000*	*HK$'000*
Gross scheme contributions	9,959	4,420	6,272
Less: Forfeited contributions utilised to offset contributions for the year	(1,545)	(793)	(643)
Net scheme contributions	8,414	3,627	5,629
Less: Amount included in discontinued operations	(8,414)	(3,627)	(3,763)
Net scheme contributions of continuing operations	–	–	1,866

As at 30 June 2006, 2005 and 2004, forfeited contributions of HK$nil, HK$212,000 and HK$102,000 were available to reduce future contributions. Contributions of HK$nil, HK$1,082,000 and HK$3,832,000 were payable by the Group as at 30 June 2006, 2005 and 2004.

16 Taxation

Hong Kong profits tax has been calculated at 17.5% for the years ended 30 June 2006, 2005 and 2004. Taxation on profits in the PRC has been calculated on the estimated assessable profits at tax rates ranging from 15% to 33% for the year ended 30 June 2006 (2005 and 2004: Nil).

No provision for Hong Kong profits tax and overseas taxation has been made for the years as the Company and a number of its subsidiaries have no assessable profit for the years ended 30 June 2006, 2005 and 2004 and certain subsidiaries have sufficient tax losses brought forward to offset their estimated assessable profit for the years.

The amount of taxation charged to the consolidated income statement for the years represents:

		Year ended	
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Current taxation:			
– Under provisions in prior years	–	51	–
Taxation charge	–	51	–

The taxation on the Group's operating loss before share of results of associated companies and discontinued operations differs from the theoretical amount that would arise using the taxation rate prevailing in the country in which the Group operates as follows:

		Year ended	
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Loss before taxation and share of results of associated companies	–	(47,041)	(161,298)
Calculated at a taxation rate of	17.5%	17.5%	17.5%
Notional tax credit on loss before taxation	–	(8,232)	(28,227)
Effect of different taxation rates in other countries	–	–	(2,195)
Income not subject to taxation	–	–	(321)
Expenses not deductible for taxation purpose	–	8,232	22,840
Tax losses not recognised	–	–	7,903
Under provisions in prior years	–	51	–
Taxation charge	–	51	–

17 Earnings/(loss) per share

The calculations of basic earnings/(loss) per share based on the share capital of the Company are as follows:

	Year ended		
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Loss for continuing operations attributable to shareholders (HK$'000)	–	(47,092)	(133,567)
Profit from discontinued operations attributable to shareholders (HK$'000)	111,177	36,693	1,045,209
Profit/(loss) attributable to shareholders (HK$'000)	111,177	(10,399)	911,642
Number of shares *(Note a)*			
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share *(Note b)*	41,666,666	78,668,311	90,379,272

Notes:

(a) The weighted average number of ordinary shares for the purpose of calculating the earnings/(loss) per share have been adjusted retrospectively for the one hundred-to-one share consolidation of the Company which took place on 7 July 2004 (Note 31(d)).

(b) Under the reverse acquisition method of accounting, the 4,166,666,667 Subscription Shares issued by the Company to PPG to effect the Reverse Acquisition described in Note 2 are deemed to be in issue throughout the years ended 30 June 2005 and 2004 for the purpose of calculating the basic earnings/(loss) per share.

(c) No diluted earnings/(loss) per share are presented for the years ended 30 June 2006, 2005 and 2004 as the conversion of convertible bond and subscription note would not have dilutive effect on the loss from continuing operations.

18 Profit/(loss) attributable to shareholders

The profit/(loss) attributable to shareholders is dealt with in the financial statements of the Company to the extent of loss of HK$145,573,000, profit of HK$108,528,000 and nil profit/loss for the years ended 30 June 2006, 2005 and 2004 respectively.

19 Property, plant and equipment

(a) Group

	Investment properties HK$'000	Leasehold buildings HK$'000	Computer equipment HK$'000	Furniture and fittings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Testing equipment HK$'000	Digital, switching and transmission system HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation										
At 1 July 2003	–	–	173,378	21,102	41,712	1,898	28,186	1,986,488	–	2,252,764
Additions	–	–	34,417	634	3,886	118	18	103,384	11,295	153,752
Disposals	–	–	(161)	(714)	(4,631)	(616)	(29)	(5,912)	–	(12,063)
At 30 June 2004	–	–	207,634	21,022	40,967	1,400	28,175	2,083,960	11,295	2,394,453
At 1 July 2004	–	–	207,634	21,022	40,967	1,400	28,175	2,083,960	11,295	2,394,453
Additions	–	–	8,017	437	4,942	394	–	115,498	11,503	140,791
Acquisition of subsidiaries	–	–	1,231	890	64	680	–	–	–	2,865
Disposals	–	–	(1,231)	(1,051)	(572)	(378)	–	(1,867)	–	(5,099)
At 30 June 2005	–	–	215,651	21,298	45,401	2,096	28,175	2,197,591	22,798	2,533,010
At 1 July 2005	–	–	215,651	21,298	45,401	2,096	28,175	2,197,591	22,798	2,533,010
Additions	–	–	4,177	171	1,997	–	–	82,307	8,788	97,440
Acquisition of subsidiaries	3,900	–	2,118	232	114	177	–	–	–	6,541
Disposal of subsidiaries	–	–	(216,333)	(21,374)	(47,328)	(920)	(28,175)	(2,278,842)	(32,389)	(2,625,361)
Reclassification	(3,900)	3,900	(743)	(46)	(30)	–	–	16	803	–
Disposals	–	–	(2,674)	(41)	(39)	(495)	–	(1,072)	–	(4,321)
At 30 June 2006	–	3,900	2,196	240	115	858	–	–	–	7,309
Accumulated depreciation										
At 1 July 2003	–	–	96,888	17,288	19,189	1,683	26,297	801,725	–	963,070
Charge for the year	–	–	26,666	1,595	7,752	103	1,197	215,360	–	252,673
Disposals	–	–	(161)	(636)	(3,604)	(616)	(29)	(2,480)	–	(7,526)
At 30 June 2004	–	–	123,393	18,247	23,337	1,170	27,465	1,014,605	–	1,208,217
At 1 July 2004	–	–	123,393	18,247	23,337	1,170	27,465	1,014,605	–	1,208,217
Charge for the year	–	–	27,524	1,529	7,875	279	504	221,547	–	259,258
Disposals	–	–	(781)	(280)	(398)	(377)	–	(930)	–	(2,766)
At 30 June 2005	–	–	150,136	19,496	30,814	1,072	27,969	1,235,222	–	1,464,709
Charge for the year	–	25	18,778	862	6,102	276	150	173,506	–	199,699
Disposals	–	–	(2,654)	(40)	(20)	(495)	–	(231)	–	(3,440)
Disposal of subsidiaries	–	–	(165,616)	(20,256)	(36,798)	(556)	(28,119)	(1,408,497)	–	(1,659,842)
Reclassification	–	–	(38)	38	–	–	–	–	–	–
At 30 June 2006	–	25	606	100	98	297	–	–	–	1,126
Net book value										
At 30 June 2004	–	–	84,241	2,775	17,630	230	710	1,069,355	11,295	1,186,236
At 30 June 2005	–	–	65,515	1,802	14,587	1,024	206	962,369	22,798	1,068,301
At 30 June 2006	–	3,875	1,590	140	17	561	–	–	–	6,183

Note: The leasehold buildings are situated on leasehold land in Mainland China held on a medium term lease.

(b) Company

	Computer equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2003	1,341	792	242	2,375
Additions	20	313	234	567
Disposals	–	–	(234)	(234)
Written off	–	(205)	–	(205)
At 31 December 2003	1,361	900	242	2,503
Disposals	(1,361)	(900)	–	(2,261)
At 30 June 2005	–	–	242	242
Disposals	–	–	(242)	(242)
At 30 June 2006	–	–	–	–
Accumulated depreciation				
At 1 January 2003	373	117	32	522
Charge for the year	414	177	64	655
Disposals	–	–	(16)	(16)
Written off	–	(38)	–	(38)
At 31 December 2003	787	256	80	1,123
Charge for the period	414	180	72	666
Disposals	(1,201)	(436)	–	(1,637)
At 30 June 2005	–	–	152	152
Charge for the year	–	–	–	–
Disposals	–	–	(152)	(152)
At 30 June 2006	–	–	–	–
Net book value				
At 31 December 2003	574	644	162	1,380
At 30 June 2005	–	–	90	90
At 30 June 2006	–	–	–	–

20 Investments in subsidiaries

	Company		
	As at 31 December 2003	As at 30 June 2005	As at 30 June 2006
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments, at costs *(Note a)*	10,939	1,262,670	31,939
Amounts due from subsidiaries *(Note b)*	338,540	577,673	2,753,071
	349,479	1,840,343	2,785,010
Less: Provision for impairment	(212,167)	(318,958)	(287,434)
	137,312	1,521,385	2,497,576

Notes:

(a) Particulars of the principal subsidiaries of the Company as at the date of this report are as follows:

Name	Place of incorporation and operation	Particulars of issued share capital	Interest held by the Company	Interest held by the Group	Principal activities
New World CyberBase Solutions (BVI) Limited	British Virgin Islands	1 Ordinary share of US$1 each	100%	–	Investment holding
Upper Start Holdings Limited	British Virgin Islands	1 Ordinary share of US$1 each	100%	–	Investment holding
Jetco Technologies Limited	Hong Kong	1,250,000 Ordinary shares of HK$1 each	–	100%	Investment holding and property investment
上海易圖通信息技術有限公司*	The PRC	Registered capital of RMB10,000,000	–	80%	Provision of Internet content services and telecommunication value-added services in the PRC

* This company has adopted 31 December as its financial year end date as required by the PRC statutory reporting requirement.

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

21 Investments in associated companies

	Group		
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Beginning of the year	–	–	–
Acquisition of associated companies *(Note 36(b))*	–	–	2,115,006
Share of results of associated companies			
– Profit before taxation	–	–	34,952
– Taxation	–	–	(7,221)
	–	–	27,731
Reversal of impairment loss *(Note b)*	–	–	7,523
Dividend income *(Note b)*	–	–	(7,523)
	–	–	2,142,737

Investments in associated companies as at 30 June 2006 include goodwill of HK$1,007,935,000.

(a) Particulars of the principal associated companies as at 30 June 2006 are as follows:

Name	**Place of incorporation/ and operation**	**Particulars of issued share capital**	**Interest held indirectly**	**Principal activities**
CSL New World Mobility Limited	Bermuda	655,886,331 shares of US$0.3163 each	23.6%	Investment holding
Hong Kong CSL Limited	Hong Kong	Nominal value of HK$2,031,043,443	23.6%	Provision of mobile telecommunications services and products
New World PCS Holdings Limited	Cayman Islands/ Hong Kong	Nominal value of HK$1,112,039,279	23.6%	Investment holding
New World PCS Limited	Hong Kong	Nominal value of HK$887,749,279	23.6%	Provision of mobile communications services and products

(b) During the year ended 30 June 2006, the Group received dividend income of HK$7,523,000 from an associated company, Han International Consulting Company Limited, in which the Company held 30% interest of its issued share capital. Full provision for investment in this associated company was made in previous years. Hence, the provision for impairment of the investment in the associated company was reversed by HK$7,523,000. The associated company was subsequently dissolved in January 2006.

(c) Summary financial information on associated companies, which was extracted from the consolidated financial statements of the CSL NWM Group audited by another auditors, Ernst & Young, after making appropriate fair value adjustments, is set out below:

	Three months ended 30 June 2006
	HK$'000
Revenue for the period	1,539,662
Post acquisition profit for the period	117,505

	As at 30 June 2006
	HK$'000
Non-current assets	6,708,649
Current assets	982,712
Non-current liabilities	(860,479)
Current liabilities	(2,022,404)
	4,808,478

(d) Following the disposal of a wholly owned subsidiary, Upper Start Holdings Limited, the Group's investments in associated companies set out in (a) above will be disposed of. These companies will cease to be the associated companies of the Group, and hence their results and net assets will not be consolidated in the consolidated financial statements of the Group after the completion of the disposal. Details are set out in Section III headed "Subsequent Event" of the report.

22 Intangible assets

	Group		
	Licence	**Goodwill**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 July 2003 and 2004	–	–	–
Acquisition of subsidiaries *(Note 2 and 36(c))*	–	65,964	65,964
At 30 June 2005	–	65,964	65,964
Acquisition of subsidiaries *(Note 36(a))*	1,470	5,525	6,995
At 30 June 2006	1,470	71,489	72,959
Accumulated impairment			
At 1 July 2003, 1 July 2004 and 30 June 2005	–	–	–
Impairment loss for the year *(Note a)*	1,470	71,489	72,959
At 30 June 2006	1,470	71,489	72,959
Net book value			
At 30 June 2004	–	–	–
At 30 June 2005	–	65,964	65,964
At 30 June 2006	–	–	–

Note:

(a) The impairment loss was provided for the licence for the operation of a music website.

As at 30 June 2006, the carrying amounts of the assets of the respective business unit exceed the recoverable amount of the respective business unit, which is determined based on value-in-use calculation using cash flow projections covering a 5-year period based on annual revenue growth rate ranging from 0% to 20% and a discount rate of 5%. Hence, impairment loss of HK$71,489,000 was provided for the goodwill during the year ended 30 June 2006.

23 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movement on the deferred tax assets account is as follows:

	30 June 2004	30 June 2005	30 June 2006
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	224,353	188,487	167,472
Deferred taxation charged to income statement *(Note 8)*	(35,866)	(21,015)	(4,873)
Disposal of subsidiaries	–	–	(162,599)
At end of the year	188,487	167,472	–

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable.

As at 30 June 2006, 2005 and 2004, the Group has unrecognised tax losses of HK$257,767,000, HK$58,759,000 and HK$nil respectively to carry forward against future taxable income subject to the agreement by the relevant tax authorities. Except for tax losses of HK$90,091,000, HK$nil and HK$nil as at 30 June 2006, 2005 and 2004 expiring within 5 years, the remaining balance has no expiry date.

As at 30 June 2006, 30 June 2005 and 31 December 2003, the Company has unrecognised tax losses of HK$68,084,000, HK$49,194,000 and HK$46,047,000 respectively to carry forward against future taxable income subject to the agreement by the relevant tax authority. The unrecognised tax losses have no expiry date.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Group		
Deferred tax assets	**Provision**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2003	3,473	353,184	356,657
Charged to income statement	(804)	(52,667)	(53,471)
At 30 June 2004	2,669	300,517	303,186
Charged to income statement	(593)	(39,854)	(40,447)
At 30 June 2005	2,076	260,663	262,739
Charged to income statement	(24)	(22,446)	(22,470)
Disposal of subsidiaries	(2,052)	(238,217)	(240,269)
At 30 June 2006	–	–	–

Deferred tax liabilities	Group Accelerated tax depreciation *HK$'000*
At 1 July 2003	132,304
Credited to income statement	(17,605)
At 30 June 2004	114,699
Credited to income statement	(19,432)
At 30 June 2005	95,267
Credited to income statement	(17,597)
Disposal of subsidiaries	(77,670)
At 30 June 2006	–

24 Inventories

	Group		
	As at 30 June 2004 *HK$'000*	**As at 30 June 2005** *HK$'000*	**As at 30 June 2006** *HK$'000*
Merchandise	29,657	38,024	–

25 Trade receivables

	Group		
	As at 30 June 2004 *HK$'000*	**As at 30 June 2005** *HK$'000*	**As at 30 June 2006** *HK$'000*
Trade receivables	98,471	105,881	10,629
Less: Provision for impairment of trade receivables	(15,253)	(11,866)	(6,363)
Trade receivables – net	83,218	94,015	4,266

The Group allows an average credit period of thirty to sixty days to its subscribers and other customers. The ageing analysis of trade receivables is as follows:

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
1 – 30 days	60,066	71,091	2,483
31 – 60 days	14,015	13,455	1,648
61 – 90 days	4,776	9,469	112
Over 90 days	4,361	–	23
	83,218	94,015	4,266

26 Amounts due to fellow subsidiaries

The balances are unsecured, interest free and have no fixed terms of repayment.

27 Amounts due from/to associated companies

The balances are unsecured, interest free and have no fixed terms of repayment.

The amount due from an associated company as of 30 June 2006 represented sales consideration for the disposal of subsidiaries (Note 37).

The amount due to an associated company as at 30 June 2006 was reclassified from amount due from a subsidiary when the subsidiary was disposed of (Note 37) and became an associated company after the Merger Transaction (Note 8). The balance represents payments made by the then subsidiary on behalf of the Group.

28 Amount due from a related company

The balance represents expenses for sharing of offices to be reimbursed by a related company, New World CyberBase Limited. It is unsecured, interest free and repayable on demand.

Mr. To Hin Tsun, Gerald, a director of the Company, is a director of New World CyberBase Limited. Mr Lo Lin Shing, a non-executive director of the Company, is the substantial shareholder of New World CyberBase Limited.

29 Cash and bank balances

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Balance with original maturities of three months or less *(Note a)*	94,444	116,534	26,921
Restricted bank balances *(Note b)*	–	–	770
	94,444	116,534	27,691

Notes:

(a) Included in the cash and bank balances of the Group are balances with the PRC banks totalling HK$804,000, HK$226,000 and HK$nil which were denominated in RMB as at 30 June 2006, 2005 and 2004 respectively. The remittance of these balances outside the PRC is subject to foreign exchange control rules and regulations of the PRC.

(b) Bank balances denominated in RMB of certain subsidiaries of the Group in the amount of approximately HK$770,000, HK$nil and HK$nil as at 30 June 2006, 2005 and 2004 respectively have been frozen under PRC court order in relation to claims filed against the subsidiaries. Lawyers considered these claims were without merits, therefore, no disclosure of contingent liability is considered necessary.

30 Trade payables

The ageing analysis of the trade payables is as follows:

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
1 – 30 days	19,651	62,013	80
31 – 60 days	6,473	26,100	120
61 – 90 days	3,692	2,345	172
Over 90 days	14,489	17,628	437
	44,305	108,086	809

31 Share capital

	Group
	(Note a)
	HK$'000
At 1 July 2003 and 2004	1
Issue of shares *(Note b)*	299
At 30 June 2005	300
Issue of shares *(Note e)*	16,154
Disposal of subsidiaries *(Note a)*	(300)
At 30 June 2005	16,154

	Company	
	No. of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2003 and 2004	10,000,000,000	100,000
Creation of additional shares *(Note c)*	190,000,000,000	1,900,000
Share consolidation *(Note d)*	(198,000,000,000)	–
Ordinary shares of HK$1.00 each at 30 June 2005 and 2006	2,000,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 January 2003	3,641,555,700	36,415
Issued of new shares upon partial conversion of convertible bond *(Note 34)*	110,000,000	1,100
Ordinary shares of HK$0.01 each at 1 January 2004	3,751,555,700	37,515
Issue of Subscription Shares *(Note 2(a))*	4,166,666,667	41,667
Share consolidation *(Note d)*	(7,839,040,144)	–
Ordinary shares of HK$1.00 each at 30 June 2005	79,182,223	79,182
Issue of shares *(Note e)*	16,153,846	16,154
Ordinary shares of HK$1.00 each at 30 June 2006	95,336,069	95,336

Notes:

(a) Before the disposal of the NWPCS Group on 31 March 2006, due to the use of reverse acquisition basis of accounting, the amount of share capital and share premium in the consolidated balance sheet represents the amount of issued shares of the legal subsidiary, NWPCS Holdings prior to the Reverse Acquisition and shares issued by the Company after the Reverse Acquisition. After the disposal of the NWPCS Group on 31 March 2006, the amount of share capital and share premium in the consolidated balance sheet represented that of the Company issued after the Reverse Acquisition after transferring the amount of share capital and share premium of NWPCS Holdings prior to the Reverse Acquisition to the consolidation reserve of the Group.

The equity structure (i.e. the number and types of shares) reflects the equity structure of the legal parent, the Company.

(b) 298,911,000 shares were issued on 6 July 2004 by the legal subsidiary, NWPCS Holdings, for capitalisation of loans.

(c) On 6 July 2004, the authorised share capital of the Company was increased from HK$100,000,000 to HK$2,000,000,000 by the creation of additional 190,000,000,000 ordinary shares of HK$0.01 each.

(d) On 7 July 2004, every 100 issued or unissued ordinary share of HK$0.01 each of the Company was consolidated into one consolidated ordinary share of HK$1.00 each.

(e) On 21 October 2005, 16,153,846 ordinary shares of HK$1.00 each of the Company were issued at HK$1.3 each to New World CyberBase Limited ("NWC") for acquisition of the entire issued share capital of New World CyberBase Solutions (BVI) Limited ("NWCS") (Note 36(a)).

(f) Share option schemes

At an extraordinary general meeting of the Company held on 28 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme") in compliance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchanges (the "Listing Rules"). Upon termination of the 1998 Share Option Scheme, no further options could be granted under the 1998 Share Option Scheme. However, the outstanding share options granted thereunder would continue to be valid and exercisable in accordance with the provisions of the 1998 Share Option Scheme.

The 2002 Share Option Scheme is valid and effective for a period of 10 years commencing on 28 May 2002. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time unless separately approved by the shareholders in general meeting.

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during the period as the board of directors at their absolute discretion determine and in any event such period shall not be more than 10 years from the date upon which the offer of the option is made to the grantee. The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

Upon acceptance of the offer for an option, the grantee shall pay HK$1.00 as consideration for the grant. The subscription price of a share in respect of any option granted shall be determined by the board of directors at their absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(i) Movements in the share options are as follows:

1998 Share Option Scheme:

	Exercise period	Exercise price *HK$*	Number of options
At 1 January 2003			159,900,000
Lapsed	15.8.2000 to 14.8.2003	0.284	(114,000,000)
	9.2.2002 to 8.2.2008	0.150 *(Note b)*	(900,000)
At 31 December 2003			45,000,000
Adjusted *(Note a)*			(44,352,000)
Lapsed			(448,000)
At 30 June 2005 and 30 June 2006			200,000

Note:

(a) The number and the exercise price of these share options were adjusted on 28 July 2004 as a result of the completion of the Subscription Agreement (Note 2) and the consolidation of the Company's shares (Note 31(d)).

(b) Exercise price has been adjusted from HK$0.150 to HK$2.440.

2002 Share Option Scheme:

	Exercise period	Exercise price *HK$*	Number of options
At 1 January 2003 and 31 December 2003	–	–	–
Granted	28.1.2005 to 31.12.2010	1,260	2,916,000
	8.4.2005 to 31.12.2010	1.276	78,000
At 30 June 2005			2,994,000
Lapsed	28.1.2005 to 31.12.2010	1.260	(78,000)
At 30 June 2006			2,916,000

(ii) Share options outstanding at the end of the year have the following terms:

Exercise period	Exercise price	As at 31 December 2003 Number of options	As at 30 June 2005 Number of options	As at 30 June 2006 Number of options
	HK$			
9.2.2002 to 8.2.2008	2.440	45,000,000	200,000	200,000
28.1.2005 to 31.12.2010	1.260	–	2,916,000	2,838,000
8.4.2005 to 31.12.2010	1.276	–	78,000	78,000
		45,000,000	3,194,000	3,116,000

32 Other reserves

(a) Group

	Share premium *(Note 31(a))*	Consolidation reserve *(Note 2)*	Convertible bond reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2003 and 2004	999	–	–	999
Premium on issue of shares *(Note 31(b))*	913,793	–	–	913,793
Arising from Reverse Acquisition *(Note 2 and 36(c))*	–	(1,115,538)	–	(1,115,538)
Renewal of convertible bond	–	–	40	40
Issue of subscription note	–	–	112,655	112,655
At 30 June 2005	914,792	(1,115,538)	112,695	(88,051)
At 1 July 2005	914,792	(1,115,538)	112,695	(88,051)
Premium on issue of shares *(Note 31(e))*	4,846	–	–	4,846
Disposal of subsidiaries *(Note 31(a))*	(914,792)	915,092	–	300
At 30 June 2006	4,846	(200,446)	112,695	(82,905)

(b) Company

	Share premium *HK$'000*	Convertible bond reserve *HK$'000*	Total *HK$'000*
At 1 January 2003	440,870	1,849	442,719
Partial conversion of convertible bond *(Note 34)*	9,900	(518)	9,382
At 31 December 2003	450,770	1,331	452,101
At 1 January 2004 *(Note)*	450,770	1,331	452,101
Capital reduction *(Note)*	(444,168)	–	(444,168)
Renewal of convertible bond	–	(1,291)	(1,291)
Issue of subscription note	–	112,655	112,655
At 30 June 2005	6,602	112,695	119,297
At 1 July 2005	6,602	112,695	119,297
Premium on issue of shares *(Note 31(e))*	4,846	–	4,846
At 30 June 2006	11,448	112,695	124,143

Note: Pursuant to a special resolution passed at the extraordinary general meeting held on 25 June 2004, the amount outstanding to the credit of the share premium of the Company of HK$450,770,000 was applied first to set off the accumulated losses of the Company as at 31 December 2003, and then to effect the distribution of special dividend. The remaining balance, if any, is to be applied as the directors of the Company may consider appropriate, subject to the compliance with the laws of the Cayman Islands.

33 Promissory note issued to and loans from a fellow subsidiary – Group and Company

Pursuant to the S&P Agreement (Note 2), if the total of the bank loan and amounts due to immediate holding company and ultimate holding company (collectively, the "Aggregate Liabilities") by the NWPCS Group on the business day prior to the completion of the Reverse Acquisition exceeds HK$1,250 million, the exceeding amount due to immediate holding company and ultimate holding company would be capitalised so that the Aggregate Liabilities at the Completion Date would not exceed HK$1,250 million.

As such, prior to the completion of the Reverse Acquisition, an amount of approximately HK$914,092,000 due to the then immediate holding company by the NWPCS Group was capitalised through the issuance of 298,911,000 shares of ordinary shares on 6 July 2004 (Note 31(b)). The remaining balance of amounts due to the then immediate holding company and ultimate holding company of HK$877,500,000 was repaid by a fresh loan from a fellow subsidiary which was repayable upon demand after 29 September 2005 and interest bearing at 0.65% above HIBOR per annum.

On 30 March 2006, the loan from a fellow subsidiary of HK$877,500,000 and accrued interest of HK$9,249,000 of the NWPCS Group was capitalised through the issuance of shares of NWPCS Holdings to the Company to extinguish debts of the NWPCS Group prior to the completion of the Merger Transaction (Note 8). On 30 March 2006, the aforesaid loan and accrued interest was replaced by a promissory note (the "Promissory Note") issued to the fellow subsidiary by the Company in an amount of HK$886,749,000. The Promissory Note is unsecured, repayable upon demand after eighteen months from the date of issue and bears interest at 0.65% above HIBOR per annum payable every three months in arrears. The effective interest rate of the Promissory Note was 5.1% per annum (2005: 1.9% for the loan of HK$877,500,000 from a fellow subsidiary).

On 31 March 2006, a new loan of HK$244,024,000 was drawn from the fellow subsidiary and is repayable upon demand after eighteen months from 31 March 2006. On 6 June 2006, an additional loan of HK$34,000,000 was drawn from the fellow subsidiary and is repayable upon demand after 28 August 2007. Both loans are unsecured and bear interest at 0.65% above HIBOR per annum payable every three months in arrears. The effective interest rate of the loans was 5.1% and 5.2% per annum respectively.

The carrying amounts of the Promissory Note issued to and loans from the fellow subsidiary approximated their fair values.

34 Convertible bond – Group and Company

On 2 November 2001, a convertible bond (the "Convertible Bond") of HK$39,286,000 (the "Principal Amount") was issued by the Company in favour of New World CyberBase Nominee Limited ("NWCBN"), a fellow subsidiary. It bears a flat-rate interest at 3% per annum accrued on a day-to-day basis on the outstanding Principal Amount of the Convertible Bond which is payable semi-annually in arrears. The effective interest rate of the Convertible Bond was 3.1% per annum (2005: 3.1%). The original maturity date of the Convertible Bond was on 1 November 2004.

In December 2003, a portion of the Principal Amount of the Convertible Bond of HK$11,000,000 was converted into 110,000,000 ordinary shares of HK$0.01 each of the Company at the conversion price of HK$0.10 per share.

In November 2004, the Company agreed with NWCBN to extend the maturity date of the Convertible Bond to 1 November 2007.

The conversion price of the remaining portion of the Convertible Bond was adjusted to HK$1.22 per ordinary share after the completion of the Reverse Acquisition and share consolidation as detailed in Notes 2 and 31(d) respectively.

The carrying amount of the liability portion of the Convertible Bond approximated its fair value.

35 Notes to consolidated cash flow statements

Reconciliation of loss before taxation to cash used in operations:

	30 June 2004 *HK$'000* As restated	30 June 2005 *HK$'000*	30 June 2006 *HK$'000*
Loss before taxation	–	(47,041)	(133,567)
Share of results of associated companies	–	–	(27,731)
Depreciation	–	1,067	996
Loss on disposal of property, plant and equipment	–	1,247	–
Gain on disposal of other investments	–	(100)	–
Gain on disposal of investment securities	–	(2,089)	–
Interest income	–	(108)	(823)
Interest expenses	–	44,739	62,786
Impairment loss on intangible assets	–	–	72,959
Reversal of impairment of investments in associated companies *(Note 21)*	–	–	(7,523)
Changes in working capital			
(Increase)/decrease in trade receivables	–	8,613	(1,252)
Decrease in prepayments, deposits, other receivables, rental and other deposits	–	5,335	490
Decrease in amounts due to fellow subsidiaries and a related company	–	(581)	(48)
Decrease in trade payables	–	–	(393)
Increase/(decrease) in accrued charges, other payables, deposits received and deferred income	–	(15,904)	7,785
Decrease in restricted bank balances	–	–	17
Cash used in operations	–	(4,822)	(26,304)

36 Business combinations

(a) Acquisition of NWCS Group on 21 October 2005

On 12 September 2005, the Company entered into a conditional sale and purchase agreement with NWC. Pursuant to the agreement, the Company agreed to acquire, and NWC agreed to dispose of, the entire issued share capital of NWCS and its subsidiaries (collectively, the "NWCS Group"), and the interest of NWC in the interest-free shareholder's loan due from NWCS for an aggregate consideration of HK$21 million. The consideration was satisfied by the issue of 16,153,846 ordinary shares of HK$1.00 each by the Company at an issue price of HK$1.3 per share, representing a discount of approximately 1.2% to the 10-day average closing price of the Company's share of approximately HK$1.316 per share for the last 10 consecutive trading days up to and including 12 September 2005 as quoted on the Stock Exchange. The acquisition was completed on 21 October 2005. The acquired business contributed revenues of HK$16,515,000 and net loss of HK$21,465,000 to the Group for the period from 22 October 2005 to 30 June 2006. If the acquisition had occurred on 1 July 2005, the contribution to the Group's revenue and net loss would have been HK$22,874,000 and HK$26,251,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Shares issued *(Note 31(e))*	21,000
Less: Fair values of net assets acquired – shown as below	(15,475)
Goodwill *(Note 22)*	5,525

With the acquisition of the NWCS Group, the Group's capability to develop value-added mobile products and services and competitiveness in the mobile telecommunication industry are enhanced. In light of the growing demand for mobile Internet services in the PRC, the acquisition will also enable the Group to capitalise on the mobile Internet service market in the PRC. The goodwill is attributable to the aforesaid factors.

The fair values of the assets and liabilities of the NWCS Group at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	6,541
Intangible asset	1,470
Trade receivables and other current assets	4,719
Cash and cash equivalents	9,896
Restricted bank balances	787
Accruals and other payables	(7,938)
Fair values of net assets acquired	15,475

The carrying amounts of the assets and liabilities of the NWCS Group approximated their fair values at the date of acquisition.

	HK$'000
Cash and cash equivalents acquired	9,896
Restricted bank balances	787
Cash inflow on acquisition	10,683

(b) Acquisition of CSL NWM Group on 31 March 2006

As mentioned in Note 8, the Group completed the acquisition of 23.6% of the CSL NWM Group on 31 March 2006. As a consequence, the CSL NWM Group has become associated companies of the Group. Since the acquisition, the CSL NWM Group contributed HK$27,731,000 to the Group's share of results of associated companies for the three months ended 30 June 2006. If the acquisition had occurred on 1 July 2005, the contribution to the Group's share of results of associated companies would have been HK$117,682,000.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Carrying amounts of 23.6% of net assets of the NWPCS Group at the date of disposal *(Note 37)*	219,237
Fair value of 76.4% of net assets of the NWPCS Group at the date of disposal	1,732,713
Amount due from an associated company	(113,328)
Sales consideration of disposal of the NWPCS Group *(Note 37)*	1,838,622
Cash consideration	244,024
Professional fee incurred for the acquisition	32,360
Total purchase consideration	2,115,006
Less: Fair values of share of net assets acquired – shown as below	(1,107,071)
Goodwill *(Note 21)*	1,007,935

The fair values and carrying amounts of the share of assets and liabilities of the CSL NWM Group at the date of acquisition are as follows:

	Fair values *HK$'000*	**Carrying amounts** *(Note)* *HK$'000*
Non-current assets	6,736,856	7,512,480
Current assets	600,566	598,743
Non-current liabilities	(838,348)	(959,348)
Current liabilities	(1,808,097)	(1,808,097)
Net assets of the CSL NWM Group	4,690,977	5,343,778
Share of 23.6% of the net assets	1,107,071	1,261,132

Note: The carrying amounts were extracted from the financial statements of the CSL NWM Group as at 31 March 2006 audited by another auditors.

	HK$'000
Cash consideration	244,024
Professional fee paid for the acquisition	32,360
Cash outflow on acquisition	276,384

(c) Acquisition of Logistics Group on 6 July 2004

As mentioned in Note 2, NWPCS Holdings was deemed to have acquired the Logistics Group on 6 July 2004. The acquired business contributed revenues of HK$4,261,000 and net loss of HK$47,092,000 for the period from 6 July 2004 to 30 June 2005.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
Cash consideration	50,000
Subscription Note issued *(Note 2)*	1,200,000
Reverse Acquisition adjustment *(Note 2(vii) and 32(a))*	(1,115,538)
Deemed consideration	134,462
Professional fee incurred for the acquisition	1,731
Total purchase consideration	136,193
Less: Fair values of net assets acquired at the date of acquisition – shown as below	(70,229)
Goodwill *(Note 22)*	65,964

As a result of the acquisition of the Logistics Group, the NWPCS Group became part of a listed group and would be able to provide investors, research analysts and rating agencies with greater clarity on its mobile telecommunications business and financial positions arousing greater interest from investors focused on mobile telecommunications business. The goodwill is attributable to the aforesaid considerations.

The fair values of the assets and liabilities of the Logistics Group at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	2,865
Investment securities	1,520
Other investments	800
Cash and bank balances	97,361
Trade receivables and other current assets	7,340
Accruals and other payables	(11,403)
Convertible bond	(28,254)
	70,229

The carrying amounts of the assets and liabilities of the Logistics Group approximated their fair values at the date of acquisition.

	HK$'000
Cash and cash equivalents acquired	97,361
Purchase consideration settled in cash	(50,000)
Professional fee paid	(1,731)
Net cash inflow on acquisition	45,630

37 Disposal of subsidiaries

As mentioned in Note 8, the Group disposed of its interests in the NWPCS Group on 31 March 2006.

Details of net assets disposed of and gain on the disposal are as follows:

	HK$'000
Sales consideration:	
Investments in associated companies	1,838,622
Amount due from an associated company *(Note 27)*	113,328
Total sales consideration	1,951,950
Net book values of net assets disposed of	(928,971)
Gain on disposal of subsidiaries	1,022,979

The assets and liabilities disposed of at the date of disposal are as follows:

Property, plant and equipment	965,519
Deferred taxation	162,599
Rental and other deposits	5,949
Amount due from the immediate holding company	5,625
Amount due from fellow subsidiaries	1,784
Inventories	25,594
Trade receivables	107,035
Prepayment, other receivables, rental and other deposits	69,949
Bank overdraft	(384)
Trade payables	(73,251)
Other payables and accruals	(334,709)
Amount due to a related company	(40)
Asset retirement obligations	(6,699)
	928,971

38 Contingent liabilities

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Bank guarantees in lieu of deposits	9,126	8,528	–

39 Commitments

(a) Capital Commitments

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for	249,205	123,680	–
Authorised but not contracted for	15,340	138,284	–
	264,545	261,964	–

(b) Commitments under operating leases

At 30 June 2006, the Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Land and buildings			
Within one year	136,842	167,406	873
In the second to fifth year inclusive	60,878	98,298	368
After the fifth year	6,524	12,458	–
	204,244	278,162	1,241

40 Related party transactions

(a) The continuing and discontinued operations of the Group undertook the following material transactions with related parties, which were carried out in the normal course of the business, during the year:

	Note	30 June 2004 HK$'000	30 June 2005 HK$'000	30 June 2006 HK$'000
Purchases from fellow subsidiaries	*(a)*	(103,985)	(38,794)	(25,853)
Purchases of property, plant and equipment from:	*(b)*			
– fellow subsidiaries		(697)	–	–
– a related company		–	(6,320)	(1,615)
Service fee income from fellow subsidiaries	(c)	958	2,566	3,443
Rental expenses paid/payable to fellow subsidiaries	*(d)*	(26,242)	(24,431)	(14,469)
Loan interest paid/payable to a fellow subsidiary	*(e)*	–	(16,226)	(34,190)
Interest paid/payable for the promissory note issued to a fellow subsidiary	*(e)*	–	–	(11,499)
Interest paid/payable for the subscription note to an immediate holding company	*(f)*	–	(8,877)	(9,000)
Interest paid/payable for the convertible bond to a fellow subsidiary	*(g)*	–	(849)	(849)
Reimbursement of office administrative expenses and fee charged from a related company	*(h)*	(3,242)	(5,656)	(6,636)

Notes:

(a) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved.

(b) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved. Certain directors of the Company are also directors of the related company.

(c) Service fee was subject to the terms of the contracts entered by the parties involved.

(d) Rental expenses were charged at a fixed monthly fee subject to the terms of the contract signed by the parties involved.

(e) The interest was charged at 0.65% above HIBOR per annum.

(f) Interest charged by PPG, the subscription note holder and the immediate holding company of the Company, was charged at 0.75% per annum.

(g) Interest charged by NWCBN, the convertible bond holder and a fellow subsidiary, was charged at 3% per annum and was payable semi-annually in arrears.

(h) The reimbursement of office administrative expenses were charged on actual cost basis at a mark-up of 15%.

(b) Key management compensation of the continuing and discontinued operations of the Group during the year is as follows:

	30 June 2004 *HK$'000*	30 June 2005 *HK$'000*	30 June 2006 *HK$'000*
Salaries and other short-term employee benefits	12,732	15,608	17,747
Post-employment benefits	499	450	506
	13,231	16,058	18,253

III SUBSEQUENT EVENT

On 6 July 2004, the Group acquired from NWTHL the entire equity interest in the NWPCS Group at an aggregate cash consideration of HK$1,250,000,000 (see Note 2 of this report and the circular issued by the Company dated 2 June 2004 for details).

On 31 March 2006, the Group acquired the 23.6% interest in the CSL NWM Group in exchange for the Company's entire equity interest in the NWPCS Group to the CSL NWM Group, a cash payment of HK$244,024,000 and an amount due from CSL NWM of HK$113,328,000. The Group then injected the 23.6% interest in the CSL NWM Group into Upper Start Holdings Limited ("Upper Start"), which is wholly owned by the Company and was incorporated in the British Virgin Islands with limited liability on 18 October 2005 (see Note 8 of this report and the circular issued by the Company dated 7 March 2006 for details).

On 22 November 2006, the Company and NWD entered into the conditional sale and purchase agreement (the "Agreement") in relation to the sale and purchase of the entire issued share capital of Upper Start, pursuant to which the Company has conditionally agreed to sell, and NWD has conditionally agreed to purchase or procure the purchases of the entire issued share capital of Upper Start and the entire amount of the interest free shareholder's loan owing from Upper Start to the Company (collectively referred to as the "Disposal"). Pursuant to the Agreement, the consideration is HK$2,500 million (the "Consideration"). Accordingly, the Disposal represents the disposal of the 23.6% interest in the CSL NWM Group.

Subject to (i) the completion of the Disposal in accordance with the terms and conditions of the Agreement (the "Disposal Completion"); (ii) compliance with the articles of association of the Company; and (iii) the sufficiency of the distributable reserves of the Company as at the date of the Disposal Completion, the Board intends to declare cash dividend of HK$1.2 per Company's share (the "Special Dividend"), subject to finalisation, to the qualifying shareholders of the Company. The Special Dividend will be financed by the Consideration.

Based on 97,692,069 shares of the Company in issue as at the date of this report and the Special Dividend of HK$1.20 per share (subject to finalisation), the total amount of the Special Dividend will be approximately HK$117.2 million.

The financial information of Upper Start (as adjusted for the attributable interest to the Group), which constitutes a discontinuing operation as pursuant to Rule 4.06A of the Listing Rules, are as follows:

Consolidated results

	From 18 October 2005 (date of incorporation) to 30 June 2006
	HK$'000
Turnover	–
Administrative expenses	–
Profit before taxation	–
Share of results of associated companies	27,731
Profit before and after taxation	27,731
Retained profits brought forward	–
Retained profits carried forward	27,731

Consolidated cash flow

	From 18 October 2005 (date of incorporation) to 30 June 2006
	HK$'000
Cash flow from operating activities	–
Cash flow from investing activities	–
Cash flow from financing activities	–
Total net cash flow	–

Consolidated assets and liabilities

	As at 30 June 2006 *HK$'000*
ASSETS	
Non-current assets	
Investment in associated companies	2,142,737
Total assets	2,142,737
LIABILITIES	
Current liabilities	–
Total liabilities	–
Net current assets	–
Net assets attributable to the Group	2,142,737
Total assets less current liabilities	2,142,737

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or its subsidiaries in respect of any period subsequent to 30 June 2006. In addition, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 30 June 2006.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(A) WORKING CAPITAL

The Board is of the opinion that after taking into account the internal resources of the Remaining Group and in the absence of unforeseen material circumstances, the Remaining Group will, following the Disposal Completion and the declaration and payment of the Special Dividend, have sufficient working capital for its present requirements for the next 12 months from the date of this circular.

(B) MATERIAL CHANGES SINCE 30 JUNE 2006

Save as disclosed below, the Board is not aware of any material changes in the financial or trading position or outlook of the Group since 30 June 2006, the date to which the latest published audited accounts of the Group were made up:

(i) on 22 November 2006, the Company and NWD entered into the S&P Agreement, pursuant to which the Company has conditionally agreed to sell, and NWD has conditionally agreed to purchase, or procure the purchase of, the entire issued share capital of Upper Start and the Sale Loan; and

(ii) subject to (a) the Disposal Completion; (b) compliance with section 146 of the articles of association of the Company which provides that dividend shall only be declared or payable out of profits and reserves of the Company lawfully available for distribution; and (c) the sufficiency of the distributable reserves of the Company as at the Disposal Completion Date, the Board intends to declare the Special Dividend of HK$1.20 per Share (subject to finalisation) to the Qualifying Shareholders. The Special Dividend will be financed by the Cash Consideration.

(C) INDEBTEDNESS

At the close of business on 31 October 2006 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), an aggregate amount of approximately HK$2,294,842,000 was owing by the Group, which comprised an amount owing under unsecured loans from a fellow subsidiary of approximately HK$181,216,000 repayable within one year, an amount owing under an unsecured promissory note of approximately HK$890,646,000 repayable within one year, an amount owing under an unsecured subscription note issued to the immediate holding company of approximately HK$1,194,285,000 repayable within one year, and an amount owing under an unsecured convertible bond issued to a fellow subsidiary of approximately HK$28,695,000 repayable within a period of more than one year but not exceeding two years.

Save as the aforesaid and apart from intra-group liabilities, normal trade payables, accrued charges, other payables, deposits received and deferred income in the ordinary course of business, at the close of business on 31 October 2006, the Group did not have any outstanding indebtedness, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 October 2006.

(D) THE INFORMATION ON THE REMAINING GROUP

The Remaining Group will be principally engaged in the Technology Business, being the provision of technology-related services in the PRC which include mobile Internet-related services.

The major mobile Internet-related services provided by the Technology Business comprise city information service, mobile entertainment, game and interactive media services. The services provide content with a combination of text, sounds and images to Multimedia Messaging Service capable handsets. Content includes music, photos, games and other entertainment services.

The interactive mobile entertainment website platform, www.ijcool.com launched by the Technology Business provides the cross platform forum for mobile users to enjoy interactive entertainment through a mobile Internet environment. The Technology Business, through this website, has established alliance relationship with over 800 popular web portals, online advertising agents, music and multimedia websites in the PRC covering 50 million Internet users. The Technology Business has also provided new services in two major areas: (i) digital music related services in mobile entertainment sector; and (ii) "local" city directory search services.

The operations bases of the Technology Business are in Beijing, Shanghai and Guangzhou, the PRC, with four marketing offices in Shenyang, Nanjing, Chengdu and Xian, the PRC. Whilst the offices in Beijing, Shanghai and Guangzhou, the PRC are set up for the purposes of call center business, mobile Internet corporate support and mobile Internet respectively, the above four marketing offices are set up for the liaison with local offices of the PRC customers. The Technology Business currently employs around 120 employees in the PRC.

The business model of the Technology Business will remain substantially unchanged upon the Disposal Completion. The Technology Business requires working capital for its operations and business development, which mainly include salaries, marketing and promotional expenses, purchases of contents for provision of services, audit fees, rental and general office expenses as well as utilities expenses. The Directors consider that, after taking into account, among other things, the customer base and the business development of the Remaining Group, the remaining balance of the Cash Consideration is sufficient for the working capital requirements of the Remaining Group for the next 12 months from the date of this circular.

(E) MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The following management and discussion of the Remaining Group refers to the unaudited pro forma financial information on the Remaining Group as set out in Appendix V to this circular which have been prepared on the basis as set out in Appendix V to this circular for the purpose of illustrating the effect of the Disposal as if it had taken place on 30 June 2006 for unaudited pro forma consolidated balance sheet, and on 1 July 2005 for the unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement respectively. The letter from the reporting accountants on the unaudited pro forma financial information was set out in Appendix V to this circular.

For the year ended 30 June 2006

Business review

The Remaining Group recorded an unaudited operating loss of approximately HK$98.5 million for the year ended 30 June 2006, excluding the estimated gain on Disposal of approximately HK$379,994,000. The principal business of the Remaining Group for the year was the Technology Business.

The loss for the year ended 30 June 2006 comprised audited impairment losses on intangible assets of approximately HK$73.0 million. Such impairment losses were provided for (i) an audited goodwill of approximately HK$66.0 million arising from the reverse acquisition of the Company and its subsidiaries by the NWPCS Group in July 2004 (being the acquisition of the NWPCS Group by the Company from the NWD Group involving the issue of 41,666,666 Shares and the Subscription Note to PPG) which was re-allocated to the Group's remaining operations in the Technology Business; (ii) an audited goodwill of approximately HK$5.5 million arising from the acquisition of New World CyberBase Solutions (BVI) Limited and its subsidiaries by the Company; and (iii) an audited licence fee of approximately HK$1.5 million. The Remaining Group recorded an audited turnover of approximately HK$16.5 million for the year ended 30 June 2006 from the Technology Business for the post-acquisition period from 22 October 2005 to 30 June 2006, as compared with approximately HK$4.3 million derived from the provision of logistics services in the year ended 30 June 2005. Wireless application protocol ("WAP") services have become the key growth driver contributing to improvement in turnover. On 30 June 2006, there were more than 270,000 monthly subscribers, over 90% of whom are subscribers for multimedia messaging services ("MMS") and WAP services. Product development teams in Shanghai and Guangzhou have developed more than 100 new MMS, WAP and short messaging services.

Capital structure, liquidity and financial resources

As at 30 June 2006, the Remaining Group did not have any borrowings.

The key operations of the Remaining Group are located in Hong Kong and the PRC. Therefore, the assets and liabilities of the Remaining Group are mainly denominated in either HK$ or RMB. Since no significant exposure to foreign currency gains and losses are expected, the Remaining Group does not conduct any foreign currency hedging activities.

Employees and remuneration policy

As at 30 June 2006, the Remaining Group had a total of 143 employees. The Remaining Group's remuneration policy is to pay salaries competitive in the industry, in a way that is motivational, fair and equitable. The salaries are also dependent on the performance of individuals of the Remaining Group. Apart from salaries, the Remaining Group also provides other fringe benefits to employees, which include provident fund schemes, medical insurance and bonus on performance basis.

(F) FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Following the Disposal Completion, the Remaining Group will continue to operate the Technology Business.

The Ministry of Information Industry of the PRC expected the number of mobile phone users to reach 440 million at the end of 2006. Judging from the trend of growth of mobile phone users, there will be ample room for the growth in the value-added services provided by the Remaining Group.

In July 2006, a major mobile operator partner implemented new control policies for value-added service providers. It is expected that the improvement of the mobile Internet business will be slowed down due to the implementation of these new measures. The Remaining Group will re-align the strategic imperatives of the business to minimise the impact while capturing the growth opportunities in the explosive market potential in the long-term.

The Remaining Group is determined to carry on its expansion into the mobile Internet services area, with a focus on music and city infotainment services. In the music sector, the Remaining Group will continue its effort in building a platform for local music talents to create and publicise their works. Currently, a platform has been created for enjoying pop music as well as new local music. In addition to forming partnership with international record labels, building alliances with music industry players is essential to the Remaining Group's business expansion. Therefore, the Remaining Group has established strategic alliances with over 15 local record labels. Continuous alliance formation will be an important component to the success of the Remaining Group in the coming years.

In 2006, the Remaining Group has re-launched ChinaQuest.com, a web-based city infotainment service, with a powerful search engine. The partnership with China Telecom's yellow page has not only enabled the Remaining Group to increase the spectrum of services, but also contributed to the enrichment of the city information content. Currently, the Remaining Group has rolled out city information content services in 12 cities. In 2007, the Remaining Group will expand the city infotainment service in these cities and into other untapped markets.

In 2006, the Remaining Group has strengthened its mobile Internet platform. Building on this foundation, the Remaining Group will seek to secure greater market share in 2007. One of the key strategic directions for the provision of services in 2007 is to increase user interactivities by implementing Web 2.0 applications in both the Internet and WAP services.

The following is the text of the audited financial statements of the CSL NWM Group for the year ended 30 June 2006:

CONSOLIDATED INCOME STATEMENT
Year ended 30 June 2006

	Notes	2006 HK$'000	2005 HK$'000
REVENUE	8	4,815,013	4,301,939
Operating costs		(4,065,480)	(3,550,711)
Operating profit		749,533	751,228
Amortisation of goodwill	16	–	(337,910)
Amortisation of intangible assets	17	(82,241)	(30,261)
Other income and gain	8	34,951	23,016
PROFIT FROM OPERATING ACTIVITIES	9	702,243	406,073
Finance costs	10	(81,665)	(60,547)
Share of loss of a jointly-controlled entity	19	(733)	(1,351)
PROFIT BEFORE TAX		619,845	344,175
Tax	12	(136,750)	(134,264)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		483,095	209,911
DIVIDENDS	14		
Interim		344,764	–
Proposed final		73,000	245,474
		417,764	245,474

CONSOLIDATED BALANCE SHEET
30 June 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	3,287,866	2,387,823
Goodwill	16	2,694,466	985,574
Intangible assets	17	1,254,995	648,389
Interest in a jointly-controlled entity	19	5,715	6,448
Deposits, prepayments and other receivables		38,346	30,247
Pension scheme asset	26	65,810	54,288
Deferred tax assets	25	121,323	2,298
Total non-current assets		7,468,521	4,115,067
CURRENT ASSETS			
Inventories	20	115,630	70,126
Trade receivables	21	299,724	197,818
Deposits, prepayments and other receivables		169,824	113,757
Due from related companies	1	9,935	–
Due from the ultimate holding company	1	–	1,638,476
Cash and cash equivalents	22	387,578	154,931
Total current assets		982,691	2,175,108
CURRENT LIABILITIES			
Trade payables	23	256,222	199,810
Other payables and accruals, customer deposits and deferred revenue	24	1,482,655	1,178,422
Due to related companies	1	114,412	3,255
Dividend payable		5,806	–
Tax payable		155,043	109,701
Due to the immediate holding company	1	8,265	–
Loan from the ultimate holding company	1	–	1,700,000
Total current liabilities		2,022,403	3,191,188
NET CURRENT LIABILITIES		(1,039,712)	(1,016,080)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,428,809	3,098,987
NON-CURRENT LIABILITIES			
Other liabilities		742,685	511,681
Deferred tax liabilities	25	240,400	242,169
Total non-current liabilities		983,085	753,850
Net assets		5,445,724	2,345,137
EQUITY			
Issued capital	27	1,618,096	1,233,503
Reserves		3,754,628	866,160
Proposed final dividend	14	73,000	245,474
Total equity		5,445,724	2,345,137

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2006

	Notes	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 July 2004		1,233,503	–	480,102	421,621	26,120	2,161,346
Final 2004 dividend declared		–	–	–	–	(26,120)	(26,120)
Net profit for the year		–	–	–	209,911	–	209,911
Proposed final 2005 dividend	14	–	–	–	(245,474)	245,474	–
At 30 June 2005 and 1 July 2005		1,233,503	–	480,102	386,058	245,474	2,345,137
Final 2005 dividend declared	14	–	–	–	–	(245,474)	(245,474)
Issue of shares	27	384,593	2,823,137	–	–	–	3,207,730
Net profit for the year		–	–	–	483,095	–	483,095
Interim 2006 dividend	14	–	–	–	(344,764)	–	(344,764)
Proposed final 2006 dividend	14	–	–	–	(73,000)	73,000	–
At 30 June 2006		1,618,096	2,823,137	480,102	451,389	73,000	5,445,724

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 June 2006

	Notes	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		619,845	344,175
Adjustments for:			
Interest income	8	(14,773)	(17,248)
Finance costs	10	81,665	60,547
Gain on disposal of items of property, plant and equipment	8	(20,178)	(5,768)
Share of loss of a jointly-controlled entity	19	733	1,351
Depreciation	15	639,532	485,889
Amortisation of goodwill	16	–	337,910
Amortisation of intangible assets	17	82,241	30,261
Impairment/(reversal of impairment) of items of property, plant and equipment	15	(19,017)	30,000
Operating profit before working capital changes		1,370,048	1,267,117
Increase in inventories		(21,733)	(6,204)
Decrease/(increase) in receivables, prepayments and deposits		16,861	(32,572)
Increase in amounts due from related companies		(2,526)	–
Increase/(decrease) in payables, accruals and other liabilities		(4,955)	75,906
Increase in pension scheme asset		(11,522)	(9,779)
Decrease in amounts due to related companies		(2,211)	(5,241)
Decrease/(increase) in an amount due from the ultimate holding company		1,638,476	(560,876)
Increase in an amount due to the immediate holding company		10,971	–
Cash generated from operations		2,993,409	728,351
Interest received		14,773	17,248
Interest paid		(11,799)	(27,517)
Hong Kong profits tax paid		(93,316)	(138,771)
Net cash inflow from operating activities		2,903,067	579,311

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*
Year ended 30 June 2006

	Note	2006 HK$'000	2005 HK$'000
Net cash inflow from operating activities		2,903,067	579,311
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in a jointly-controlled entity		–	(7,799)
Purchases of items of property, plant and equipment		(611,603)	(495,756)
Acquisition of a subsidiary	29	243,641	–
Payment of annual spectrum utilisation fees for a telecommunication licence		(50,000)	(50,000)
Proceeds from disposal of items of property, plant and equipment		31,974	7,156
Net cash outflow from investing activities		(385,988)	(546,399)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of a loan from the ultimate holding company		(1,700,000)	–
Dividends paid		(584,432)	(26,120)
Net cash outflow from financing activities		(2,284,432)	(26,120)
NET INCREASE IN CASH AND CASH EQUIVALENTS		232,647	6,792
Cash and cash equivalents at beginning of year		154,931	148,139
CASH AND CASH EQUIVALENTS AT END OF YEAR		387,578	154,931
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		56,476	21,931
Time deposits with original maturity of less than three months		331,102	133,000
		387,578	154,931

BALANCE SHEET

30 June 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	7,769,928	4,695,600
CURRENT ASSET			
Due from a subsidiary	18	5,806	4,093,905
CURRENT LIABILITIES			
Due to a subsidiary	18	–	4,104,876
Due to the immediate holding company	1	8,265	–
Due to a related company	1	113,328	–
Dividend payable		5,806	–
Total current liabilities		127,399	4,104,876
NET CURRENT LIABILITIES		(121,593)	(10,971)
Net assets		7,648,335	4,684,629
EQUITY			
Issued capital	27	1,618,096	1,233,503
Reserves	28 (ii)	5,957,239	3,205,652
Proposed final dividend	14	73,000	245,474
Total equity		7,648,335	4,684,629

NOTES TO FINANCIAL STATEMENTS

30 June 2006

1. CORPORATE INFORMATION AND AFFILIATION

CSL New World Mobility Limited (formerly known as Telstra CSL Limited) is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Units 501-8, Cyberport 3, 100 Cyberport Road, Hong Kong.

During the year, the Group was principally engaged in the provision of mobile telecommunications services and products to customers in Hong Kong through its mobile systems and networks.

The Company is a subsidiary of Telstra Holdings (Bermuda) No. 2 Limited, a company incorporated in Bermuda. In the opinion of the directors, the ultimate holding company of the Company is Telstra Corporation Limited ("Telstra"), a company incorporated and listed in Australia.

Pursuant to an agreement dated 8 December 2005 and entered into between the Company, New World Mobile Holdings Limited ("NWM Holdings", a company listed on the Main Board of The Stock Exchange of Hong Kong Limited) and Telstra Holdings (Bermuda) No. 2 Limited, and the corresponding amendment agreements (collectively, the "Merger Agreements"), the Company issued and allotted, and Upper Start Holdings Limited, a wholly-owned subsidiary of NWM Holdings, subscribed for new shares in the Company, which represented 23.6% of the enlarged share capital of the Company, in exchange for the transfer of 100% interest in New World PCS Holdings Limited ("NWPCS Holdings") and a payment of HK$244.024 million by way of a promissory note by NWM Holdings to the Company on 31 March 2006, followed by a remittance of HK$113.328 million by the Company to NWM Holdings subsequent to the balance sheet date.

NWPCS Holdings and its subsidiaries (collectively, the "NWPCSH Group") are principally engaged in the provision of mobile telecommunications services and products in Hong Kong under the brandname of New World Mobility. Further details related to the Company's acquisition of the 100% interest in NWPCSH Group are included in note 29 to the financial statements.

The amount due from the ultimate holding company as at 30 June 2005 was unsecured, bore interest at the Hong Kong Dollar Inter-Bank Offer Rate ("HIBOR") per annum and was fully repaid in the current year. The loan from the ultimate holding company as at 30 June 2005 was unsecured, bore interest at the HIBOR plus 0.5% per annum and was fully repaid in the current year.

The amount due to the immediate holding company is unsecured, interest-free, and has no fixed terms of repayment.

The amounts due to related companies are unsecured and interest-free. Except for an amount due to a jointly-owned entity of the ultimate holding company, which is repayable within one month, all other balances with related companies have no fixed terms of repayment.

The carrying amounts of all balances with affiliates approximate to their fair values.

2. FUNDAMENTAL ACCOUNTING CONCEPT

These financial statements have been prepared under the going concern concept notwithstanding both the Company and the Group recorded net current liabilities at 30 June 2006 since Telstra and NWM Holdings have agreed to provide adequate funds to enable the Company and the Group to meet their liabilities as and when they fall due.

The financial support from Telstra and NWM Holdings will be in proportion to their effective indirect interests in the Group of 76.4% and 23.6%, respectively.

3. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK-Ints")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the measurement of pension scheme asset as further explained and disclosed in note 6 to the financial statements. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000), except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of Company and its subsidiaries for the year ended 30 June 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of a subsidiary during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

4. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Company and the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

Except for the adoption of HKFRS 3 and HKAS 36 which impacts the Group's accounting policy for goodwill, as described further below, the adoption of the above new accounting standards has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets"

Prior to 1 July 2005, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

The effects of the adoption of HKFRS 3 and HKAS 36 include the decrease in amortisation of goodwill for the year by HK$337,910,000 and the transitional provisions of HKFRS 3 have required the Group to eliminate at 1 July 2005 the carrying amount of accumulated amortisation of HK$2,393,528,000 with a corresponding adjustment to reduce the cost of goodwill. The effects of the above changes are summarised in note 16 to the financial statements.

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5 and HK(IFRIC)-Int 6 do not apply to the activities of the Group. HK(IFRIC)-Int 7 shall be applied for annual periods beginning on or after 1 March 2006.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is a entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as a jointly-controlled entity if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of businesses and subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition. Such goodwill is recognised in the Group's balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually and more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment review whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Customer base

A customer base has a finite useful life of 5 years and is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method.

Trademark

A trademark has a finite useful life of 15 years and is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method.

Mobile carrier licences

These comprise one-time expenditures on acquiring telecommunications spectrum rights and the discounted value of the minimum annual spectrum utilisation fees payable in accordance with the respective licences together with the corresponding interest accrued prior to the commercial launch of telecommunications services of the relevant technology. Expenditures are amortised on the straight-line basis over the period from the date of the commercial launch of the telecommunications services of the relevant technology to the end of the period of validity of the respective licences.

After the commercial launch of the telecommunications services of the relevant technology, interest accrued on the outstanding minimum annual spectrum utilisation fees payable are recognised as finance costs directly in the income statement. Any variable annual spectrum utilisation fees payable in addition to the minimum annual fees are recognised directly in the income statement.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, pension scheme assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than projects under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life.

Leasehold land and buildings *(Note)*	Over the shorter of 50 years and the terms of the leases
Exchange equipment and other plant	2 – 10 years
Furniture and fittings	2 – 10 years

Note: These represent buildings situated on leasehold land where the fair values of the leasehold interests in land and buildings elements cannot be separated reliably at the inception of the respective leases.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Projects under construction are stated at cost less any impairment losses and are not depreciated. Certain costs relating to projects under construction are capitalised and included in the costs of assets, which include attributable staff costs, materials and overheads. Projects under construction are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) telecommunications revenue, based on the usage of the Group's network and facilities, when the services have been rendered. Telecommunications revenue for services provided for fixed periods is recognised on the straight-line basis over the respective periods. Other telecommunications revenue is recognised when products have been delivered or services have been rendered to customers;

(ii) property rental income, on a time proportion basis over the lease terms; and

(iii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Paid leave carried forward

An accrual is made at the balance sheet date for the expected future cost of paid annual leave provided to employees which remains untaken as at the balance sheet date and is permitted to be carried forward and utilised by the respective employees.

Pension schemes

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Schemes. Contributions made to the MPF Schemes are based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable and vest fully with the employees.

The Group also operates a separate retirement benefits scheme under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme"), for those employees who are eligible to participate. The ORSO Scheme comprises a defined contribution section (the "DC Scheme") and three defined benefit sections (the "DB Schemes"). The DC Scheme operates in a similar way to the MPF Scheme, except when an employee leaves the scheme before his/her interest in the Group's employer contributions vests fully, the ongoing contributions payable by the Group can be reduced by the relevant amount of the forfeited employer contributions.

For the DB Schemes, an actuarial estimate is made annually by a professionally qualified independent actuary, using the projected unit credit actuarial valuation method, of the present value of future defined benefit obligation as at the balance sheet date (the "Scheme Obligation"). The net of actuarial gains and losses is initially recorded in the balance sheet and is subsequently recognised in the income statement only to the extent that the amount exceeds 10% of the higher of the Scheme Obligation and the fair value of assets contributed by the Group (the "Scheme Assets") at the beginning of the period. Such "excess" is recognised in the income statement over the expected average remaining service lives of the employees. The expected costs of providing pensions under the DB Schemes are charged to the income statement over the periods during which the employees provide the related service to the Group.

The net of the Scheme Obligation and the fair value of the Scheme Assets at the balance sheet date, together with the actuarial gains and losses remaining in the balance sheet at that date, are recognised in the balance sheet as non-current assets or non-current liabilities, as appropriate. If the net amount results in an asset, the amount of the asset is limited to the net total of any net cumulative actuarial losses and past service costs remaining in the balance sheet, and the present value of any future refunds from the DB Schemes or reductions in future contributions to the DB Schemes.

The amounts of the contributions payable by the Group to the DB Schemes are determined by the actuary using the attained age funding actuarial valuation method.

All assets of the Group's pension schemes are held separately from the assets of the Group in independently administered funds.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) and (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been declared and approved by the shareholders in a general meeting, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Trade and other receivables

Trade and other receivables are financial assets initially recognised at fair value (original invoice amounts) and subsequently at amortised cost using the effective interest method. Provision for impairment loss is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Impairment of financial assets carried at amortised cost

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derecognition of financial assets (applicable to the year ended 30 June 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value; where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Mobile telephone customer acquisition costs

The direct costs of acquiring new mobile telephone customers, which comprise the loss on the sale of mobile phones and accessories, are charged to the income statement as incurred.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included in cash and cash equivalents.

For the purpose of the balance sheets, cash and cash equivalents comprise cash at banks and on hand, including term deposits, which are not restricted as to use.

Derecognition of financial liabilities (applicable to the year ended 30 June 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to make the sale.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

A deferred tax asset is also recognised for the carryforward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the carryforward of the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made certain judgements, estimates and assumptions that have significant effects on the amounts recognised in the financial statements.

The key estimates and associated assumptions related to goodwill impairment, defined benefits retirement obligations and business combination have been included in notes 16, 26(iv) and 29, respectively.

Other key estimates and associated assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are summarised as follows:

(a) Estimated useful economic lives and impairment of network exchange equipment and other plant

Network exchange equipment and other plant are long-lived but may be subject to technological obsolescence. The annual depreciation charges are affected by the estimated economic useful lives allocated to each item of these assets. Management performs annual review to assess the appropriateness of their estimated economic useful lives. Such reviews take into account of the technological changes, prospective economic utilisation and physical condition of the assets concerned. Management also regularly reviews whether there are any indications of impairment and an impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount which is the higher of the asset's net selling price and value in use. In assessing value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, including changes in technology and customers' needs over the types of mobile telecommunications services.

(b) Deferred tax

Deferred tax liabilities are provided in full on all taxable temporary differences whereas deferred tax assets of certain entities of the Group are only recognised to the extent that it is probable that future taxable profits will be available therefrom and against which the deductible taxable differences or unused tax losses or credits belonging to the corresponding entities can be utilised. Estimates and judgements are involved in determining the probability and the extent of such future profits.

8. REVENUE, OTHER INCOME AND GAIN

Revenue is stated on a gross basis before allocations to other telecommunications operators and comprises the following:

(i) telecommunications revenue from the sale of mobile equipment and accessories, airtime and service charges for the use of the digital mobile radio telephone networks and the associated value-added services; and

(ii) property rental income.

An analysis of revenue, other income and gain is as follow:

	2006	**2005**
	HK$'000	*HK$'000*
Revenue		
Telecommunications revenue	4,812,845	4,299,541
Property rental income	2,168	2,398
	4,815,013	4,301,939
Other income and gain		
Gain on disposal of items of property, plant and equipment	20,178	5,768
Interest income	14,773	17,248
	34,951	23,016

9. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Notes	2006 HK$'000	2005 HK$'000
Included in operating costs:			
Cost of inventories sold		1,193,244	1,010,440
Cost of services provided		1,057,956	937,304
Impairment/(reversal of impairment) of items of property, plant and equipment	*15*	(19,017)	30,000
Employee benefits expenses (including directors' remuneration *(note 11)*):			
Wages and salaries		434,853	384,884
Less: Amount capitalised in projects under construction		(67,305)	(67,259)
		367,548	317,625
Pension scheme contributions for the MPF Schemes and the DC Scheme		11,583	9,348
Net Pension scheme costs for the DB Scheme	*26*	8,108	10,379
Depreciation	*15*	639,532	485,889
Minimum lease payments under operating leases for land and buildings		398,195	417,027
Auditors' remuneration		1,694	550
Impairment/(reversal of impairment) of trade receivables		15,493	(30,700)
Other exchange losses, net		155	596

10. FINANCE COSTS

	Group	
	2006 HK$'000	2005 HK$'000
Interest on a loan from the ultimate holding company	11,086	27,517
Interest on an amount due to the ultimate holding company	713	–
Accretion of interest on other liabilities	69,866	33,030
	81,665	60,547

11. DIRECTORS' REMUNERATION

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	5,859	5,416
Pension scheme contributions	301	367
	6,160	5,783

12. TAX

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the year.

	2006	**2005**
	HK$'000	*HK$'000*
Group:		
Provision for the year	123,608	91,268
Underprovision in prior periods	15,050	46
Deferred tax:		
Deferred tax assets *(note 25)*	(139)	135
Deferred tax liabilities *(note 25)*	(1,769)	42,815
Total tax charge for the year	136,750	134,264

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective rate, are as follows:

	2006		**2005**	
	HK$'000	*%*	*HK$'000*	*%*
Profit before tax	619,845		344,175	
Tax at the statutory tax rate	108,473	17.5	60,231	17.5
Adjustments in respect of current tax of previous periods	15,050	2.4	46	–
Income not subject to tax	(3,668)	(0.6)	(3,018)	(0.9)
Expenses not deductible for tax	15,579	2.5	64,325	18.7
Others	1,316	0.3	12,680	3.7
Tax expense at the effective rate	136,750	22.1	134,264	39.0

There was no significant unprovided deferred tax as at the balance sheet date and during the year.

13. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net profit from ordinary activities attributable to equity holders of the parent for the year dealt with in the financial statements of the Company was HK$346,214,000 (2005: HK$25,948,000) (note 28(ii)).

14. DIVIDENDS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
First interim dividend – HK$0.1899 per ordinary share (2005: Nil)	94,934	–
Second interim dividend – HK$0.4880 per ordinary share (2005: Nil)	244,024	–
Third interim dividend – HK$0.0116 per ordinary share (2005: Nil)	5,806	–
Proposed final – HK$0.1113 per ordinary share (2005: HK$0.4909 per ordinary share)	73,000	245,474
	417,764	245,474

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Leasehold land and buildings HK$'000	Exchange equipment and other plant HK$'000	Furniture and fittings HK$'000	Projects under construction HK$'000	Total HK$'000
Cost:						
At 1 July 2004		147,375	5,452,821	94,798	337,749	6,032,743
Additions		7,252	604,729	7,465	111,667	731,113
Transfers		–	308,192	3,765	(311,957)	–
Disposals		–	(992,509)	(969)	–	(993,478)
At 30 June 2005 and 1 July 2005		154,627	5,373,233	105,059	137,459	5,770,378
Additions		–	33,962	4,497	528,376	566,835
Acquisition of subsidiaries	29	–	921,116	12,014	32,389	965,519
Transfers		–	542,357	17,295	(559,652)	–
Disposals		(30,064)	(536,454)	(38,314)	–	(604,832)
At 30 June 2006		124,563	6,334,214	100,551	138,572	6,697,900
Accumulated depreciation and impairment:						
At 1 July 2004		77,890	3,716,101	64,765	–	3,858,756
Depreciation		3,105	467,102	15,682	–	485,889
Impairment	*(i)*	–	30,000	–	–	30,000
Disposals		–	(991,128)	(962)	–	(992,090)
At 30 June 2005 and 1 July 2005		80,995	3,222,075	79,485	–	3,382,555
Depreciation		2,833	614,342	22,357	–	639,532
Reversal of impairment	*(ii)*	(19,017)	–	–	–	(19,017)
Disposals		(20,630)	(534,092)	(38,314)	–	(593,036)
At 30 June 2006		44,181	3,302,325	63,528	–	3,410,034
Net book value:						
At 30 June 2006		80,382	3,031,889	37,023	138,572	3,287,866
At 30 June 2005		73,632	2,151,158	25,574	137,459	2,387,823

Notes:

(i) The impairment losses were provided for certain network equipment which were subject to replacement due to technical obsolescence. The impairment losses were determined by directors based on the estimated recoverable values from the disposal of the equipment.

(ii) The impairment losses recognised in prior periods for certain leasehold buildings were reversed as a result of the increase in the recoverable amounts of the properties following the recovery of the property market in Hong Kong. The reversal of impairment losses was determined by the directors based on the estimated market values of these properties.

An analysis of the net book value of the leasehold land and buildings of the Group by lease term, which are all situated in Hong Kong, is as follows:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Long term leases	12,082	18,555
Medium term leases	68,126	55,077
Short term leases	174	–
	80,382	73,632

16. GOODWILL

Group

	HK$'000
Cost:	
At 1 July 2004, 30 June 2005 and 1 July 2005	3,379,102
Elimination of accumulated amortisation upon adoption of HKFRS 3 *(note 4)*	(2,393,528)
Acquisition of subsidiaries *(note 29)*	1,708,892
At 30 June 2006	2,694,466
Accumulated amortisation:	
At 1 July 2004	2,055,618
Charge for the year	337,910
At 30 June 2005 and 1 July 2005	2,393,528
Elimination of accumulated amortisation upon adoption of HKFRS 3 *(note 4)*	(2,393,528)
At 1 July 2005 and 30 June 2006	–
Net carrying amount:	
At 30 June 2006	2,694,466
At 30 June 2005 and 1 July 2005	985,574

Up to 30 June 2005 and prior to the adoption of HKFRS 3 (note 4), goodwill was amortised over its estimated useful life of 10 years.

Impairment testing of goodwill

Goodwill relates to the Group's provision of mobile telecommunications services.

For the purpose of impairment testing of goodwill, the recoverable amounts of the Group's mobile telecommunications services businesses to which goodwill is allocated have been determined according to the value-in-use calculation using cash flow projections based on financial forecasts approved by management covering a 5-year period including a terminal value with 2% terminal growth rate. Assumptions have been made by management that the cash flows from the Group's existing mobile telecommunications services will continue at least the forecast period based on management's experience in the industry with due considerations for market and technological changes. The discount rates applied to the cash flow projections range from 11.14% to 12.50%.

The annual revenue growth rates used to extrapolate the cash flows for the Group's mobile telecommunications services business during the forecast period is between 4% and 9% based on the forecast development of the mobile telecommunications market in Hong Kong and taking into account the changes in technology and customers' needs over the types of mobile telecommunications services.

17. INTANGIBLE ASSETS

	Customer base	**Trademark**	**Mobile carrier licences**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At 1 July 2004	–	–	649,834	649,834
Addition	–	–	28,816	28,816
At 30 June 2005 and 1 July 2005	–	–	678,650	678,650
Addition	–	–	85,847	85,847
Acquisition of subsidiaries *(note 29)*	367,000	115,000	121,000	603,000
At 30 June 2006	367,000	115,000	885,497	1,367,497
Accumulated amortisation:				
At 1 July 2004	–	–	–	–
Amortisation	–	–	30,261	30,261
At 30 June 2005 and 1 July 2005	–	–	30,261	30,261
Amortisation	18,350	1,916	61,975	82,241
At 30 June 2006	18,350	1,916	92,236	112,502
Net carrying amount:				
At 30 June 2006	348,650	113,084	793,261	1,254,995
At 30 June 2005	–	–	648,389	648,389

18. INVESTMENTS IN SUBSIDIARIES

	HK$'000	*HK$'000*
Unlisted shares, at cost	7,769,928	4,695,600

Particulars of the subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation and operation	Nominal value of issued share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Bestclass Holdings Limited	British Virgin Islands/ Hong Kong	US$50,000	100	–	Investment holding
Hong Kong CSL Limited	Hong Kong	HK$2,031,043,443	–	100	Provision of mobile telecommunications services and products
Integrated Business Systems Limited	Hong Kong	HK$2	–	100	Property investment
One2Free PersonalCom Limited	Hong Kong	HK$2	–	100	Inactive
CSL Limited	Hong Kong	HK$2	–	100	Dormant
New World PCS Holdings Limited	Cayman Islands/ Hong Kong	HK$1,112,039,279	100	–	Investment holding
New World PCS Limited	Hong Kong	HK$887,749,279	–	100	Provision of mobile telecommunications services and products
New World 3G Limited	Hong Kong	HK$1	–	100	Dormant
New World Mobility Limited	Hong Kong	HK$2	–	100	Dormant

On 31 March 2006, the Group acquired a 100% interest in the NWPCSH Group from NWM Holdings. Further details of this acquisition are included in notes 1 and 29 to the financial statements.

The balances with subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances with subsidiaries approximate to their fair values.

19. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	–
Share of net assets	5,715	6,448
	5,715	6,448

Particulars of the jointly-controlled entity of the Group are as follows:

Name	Business structure	Place of incorporation and operations	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Bridge Mobile Pte Ltd.	Corporate	Republic of Singapore	12.5	12.5	12.5	Services development for an alliance of mobile telecommunications service operators

The Group's share of the assets and liabilities of the jointly-controlled entity as at balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
Current assets	6,097	6,378
Non-current assets	1,701	1,173
Current liabilities	(2,083)	(1,103)
Net assets	5,715	6,448

The Group's share of results of the jointly-controlled entity during the year is as follows:

	2006	2005
	HK$'000	*HK$'000*
Revenue	2,816	–
Other income	205	24
Operating costs	(3,754)	(1,375)
Loss for the year	(733)	(1,351)

20. INVENTORIES

As at 30 June 2006 and 30 June 2005, the inventories of the Group represented mobile handsets and accessories.

21. TRADE RECEIVABLES

The Group generally allows an average credit period of one month for customers. The Group seeks to maintain strict control over its outstanding receivables and has credit control departments to minimise the credit risk. Overdue balances are reviewed regularly by senior management. As the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The carrying amounts of the trade receivables approximate to their fair values.

22. CASH AND CASH EQUIVALENTS

	2006	**2005**
	HK$'000	*HK$'000*
Cash and bank balances	56,476	21,931
Fixed deposits	331,102	133,000
	387,578	154,931

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are due within one month and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

23. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled within one month. The carrying amounts of trade payables approximate to their fair values.

24. OTHER PAYABLES AND ACCRUALS, CUSTOMER DEPOSITS AND DEFERRED REVENUE

Included in the balance are customer deposits and other payables which are non-interest-bearing and generally have terms of less than one year. The carrying amounts of customer deposits and other payables approximate to their fair values.

25. DEFERRED TAX

The movements in deferred tax liabilities and assets of the Group are as follows:

Deferred tax liabilities

	Accelerated tax depreciation *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Gross deferred tax liabilities at 1 July 2004	307,623	(108,269)	199,354
Deferred tax charged to the income statement *(note 12)*	23,337	19,478	42,815
Gross deferred tax liabilities at 30 June 2005 and 1 July 2005	330,960	(88,791)	242,169
Deferred tax charged/(credited) to the income statement *(note 12)*	(4,929)	3,160	(1,769)
Gross deferred tax liabilities at 30 June 2006	326,031	(85,631)	240,400

Deferred tax assets

	Loss available for offset against future taxable profits *HK$'000*	**Accelerated tax depreciation** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Gross deferred tax assets at 1 July 2004	–	–	2,433	2,433
Deferred tax charged to the income statement *(note 12)*	–	–	(135)	(135)
Gross deferred tax assets at 30 June 2005 and 1 July 2005	–	–	2,298	2,298
Acquisition of subsidiaries *(note29)*	238,217	(77,671)	(41,660)	118,886
Deferred tax (charged)/credited to the income statement *(note 12)*	(7,356)	5,050	2,445	139
Gross deferred tax assets at 30 June 2006	230,861	(72,621)	(36,917)	121,323

As at 30 June 2006, a subsidiary of the Group acquired during the year had tax losses arising in Hong Kong of HK$1,319,208,000. Such losses are available indefinitely for offsetting against future taxable profits of the subsidiary. Deferred tax assets have been recognised in respect of these losses to the extent that it is probable that taxable profit will be available against which the carryforward of the unused tax losses can be utilised.

26. PENSION SCHEME ASSET

(i) The movements in the net asset of the DB Scheme are as follows:

	Notes	2006 HK$'000	2005 HK$'000
At beginning of year		54,288	44,509
Net pension scheme costs recognised in the consolidated income statement	*9, 26(iii)*	(8,108)	(10,379)
Contributions paid to the DB Scheme		19,630	20,158
At 30 June	*26(ii)*	65,810	54,288

(ii) The components of the net asset of the DB Scheme as at the balance sheet date are as follows:

	Notes	2006 HK$'000	2005 HK$'000
Present value of defined benefit obligation		(406,166)	(442,631)
Fair value of scheme assets		544,196	472,302
		138,030	29,671
Net cumulative actuarial losses/(gains)		(72,220)	24,617
Net pension scheme asset recognised	*26(i)*	65,810	54,288

(iii) The components of the net pension scheme cost recognised for the year, together with the actual return on the DB Scheme assets, are as follows:

	Notes	2006 HK$'000	2005 HK$'000
Current service costs		24,076	20,549
Interest cost on a defined benefits obligation		16,199	17,608
Expected return on the DB Scheme assets		(32,167)	(27,778)
	26(i)	8,108	10,379
Actual return on the DB Scheme assets		68,828	53,231

(iv) The principal actuarial assumptions used in determining the net asset of the DB Scheme as at the balance sheet date are as follows:

	2006	2005
	% per annum	*% per annum*
Discount rate	5.0	3.8
Expected rate of return on the DB Scheme assets	6.8	6.8
Future salary increase rate:		
First year	4.0	2.5
Second year	4.0	4.0
Third year	4.0	4.0
Fourth year onwards	4.0	4.0

(v) The actuarial valuation of the DB Scheme as at 30 June 2006 was performed by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited ("Watson Wyatt"), a fellow of the Faculty of Actuaries of the United Kingdom, using the valuation method detailed under the heading "Employee benefits: Pension schemes" in note 6 to the financial statements.

According to the latest actuarial valuation carried out at 30 June 2003 by Watson Wyatt using the attained age funding actuarial valuation method to value the pension scheme obligation under the Occupational Retirement Schemes Ordinance, the level of funding of the pension scheme was 100%.

27. SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
655,886,331 (30 June 2005: 500,000,000) ordinary shares of US$0.3163 each	1,618,096	1,233,503
Issued and fully paid up:		
655,886,331 (30 June 2005: 500,000,000) ordinary shares of US$0.3163 each	1,618,096	1,233,503

Pursuant to an ordinary resolution passed on 30 March 2006, the authorised share capital of the Company was increased from HK$1,233,503,000 to HK$1,618,096,000 by the creation of 155,886,331 additional shares of US$0.3163 each, ranking pari passu in all respects with the existing share capital of the Company.

On 30 March 2006, 1,097,157 ordinary shares of US$0.3163 each were issued at par to its existing shareholders. The purpose of the issuance was to rationalise the shareholding structure of the Company prior to the completion of the Merger Agreements.

On 31 March 2006, 154,789,174 ordinary shares of US$0.3163 each, which represented 23.6% of the enlarged share capital of the Company, were issued to Upper Start Holdings Limited, a subsidiary of NWM Holdings, and credited as fully paid with a fair value of HK$3,205,024,000 for the purpose of the completion of the Merger Agreements.

28. RESERVES

(i) The Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 5 of the financial statements.

(ii) The Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2004		–	795,694	2,629,484	3,425,178
Net profit for the year		–	–	25,948	25,948
Proposed final 2005 dividend		–	–	(245,474)	(245,474)
At 30 June 2005 and 1 July 2005		–	795,694	2,409,958	3,205,652
Issue of shares	27	2,823,137	–	–	2,823,137
Net profit for the year		–	–	346,214	346,214
Interim 2006 dividend		–	–	(344,764)	(344,764)
Proposed final 2006 dividend		–	–	(73,000)	(73,000)
At 30 June 2006		2,823,137	795,694	2,338,408	5,957,239

(iii) The contributed surplus balances of the Company and the Group represent the difference between the consolidated shareholder's fund of the subsidiaries acquired and the nominal value of the Group's shares issued in exchange therefor at the time of the group reorganisation completed in 2001 which resulted in the formation of Group.

Under the Bermuda Companies Act 1981 (as amended), a company may make distributions to its members out of the contributed surplus in certain circumstances.

29. BUSINESS COMBINATION

On 31 March 2006, the Group acquired a 100% interest in the NWPCSH Group from NWM Holdings. Pursuant to the Merger Agreements, the Company issued and allotted, and Upper Start Holdings Limited, a wholly-owned subsidiary of NWM Holdings, subscribed for new shares in the Company, which represented 23.6% of the enlarged share capital of the Company, in exchange for the transfer of 100% interest in NWPCS Holdings and a payment of HK$244.024 million by way of a promissory note by NWM Holdings to the Company on 31 March 2006, followed by a remittance of HK$113.328 million by the Company to NWM Holdings subsequent to the balance sheet date.

The fair values of the identifiable assets and liabilities of the NWPCSH Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment	*15*	965,519	965,519
Intangible assets	*17*	603,000	–
Cash and bank balances		(383)	(383)
Trade receivables		107,035	107,035
Inventories		23,771	25,594
Amount due from related companies		7,409	7,409
Amount due to a related company		(40)	(40)
Prepayments and other receivables		75,898	75,898
Payables and accruals		(407,960)	(407,960)
Other liabilities		(127,699)	(6,699)
Deferred tax assets	*25*	118,886	162,598
		1,365,436	928,971
Goodwill on acquisition	*16*	1,708,892	
		3,074,328	
Satisfied by:			
Fair value of the Company's shares issued		3,205,024	
Cash and cash equivalents payable		113,328	
Less: Cash and cash equivalents received		(244,024)	
		3,074,328	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash received	244,024
Cash and bank balances acquired	(383)
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	243,641

Since the acquisition, the NWPCSH Group contributed HK$387,056,000 and HK$6,495,000 to the Group's consolidated revenue and net profit for the year ended 30 June 2006, respectively.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$6,216,246,000 and HK$443,717,000, respectively.

In the absence of a quoted market price for the shares of the Company, the Group determined the fair value of the issued shares using cash flow projections for the enlarged group based on forecasts approved by management covering the period from 1 April 2006 to 30 June 2015 including a terminal value with 1.75% terminal growth rate. Assumptions have been made by management that the cash flows from the enlarged group's mobile telecommunications services will continue at least the forecast period based on management's experience in the industry with due considerations for market and technological changes, and long term synergies expected to arise from the acquisition.

The discount rate applied to cash flow projections is 9.99% and the annual revenue growth rate used to extrapolate the cash flows during the forecast period is between 1% and 6% based on the forecasted development of the mobile telecommunications market in Hong Kong, taking into account the changes in technology and customers' needs over the types of mobile telecommunications services.

The Group has also considered public information from a variety of sources for analysis of the fair value of the issued shares as determined using cash flow projections, including the capitalisation of earnings of companies also involved in the provision of mobile telecommunications services and similar business combination transactions.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) During the current year, the Group capitalised a newly granted telecommunications spectrum right as an intangible asset. The total capitalised value of the telecommunication spectrum right, which is determined by the discounted value of the minimum annual spectrum utilisation fees payable in accordance with the respective licence, is HK$85,847,000.

(b) On 30 March 2006, the Company issued 1,097,157 additional shares, ranking pari passu, of US$0.3163 each to Telstra Holding (Bermuda) No. 2 Ltd. ("THB"), the Company's immediate holding company at par (note 27). The amount was settled by the issuance of a promissory note by THB.

31. CONTINGENT LIABILITIES

(a) On 22 October 2001, the Group arranged a bank to provide a performance bond to the Office of the Telecommunications Authority of Hong Kong (the "OFTA") in respect of the mobile carrier licence awarded for the provision of third generation telecommunications service (the "3G Licence"). The 3G Licence requires the performance bond to remain in force for five years (or until the expiry of the 3G Licence, if shorter) and to equal the minimum annual fees payable to the OFTA for the forthcoming five years (or until the expiry of the 3G Licence, if shorter).

As at 30 June 2006, the performance bond issued in favour of the OFTA amounted to HK$351 million (30 June 2005: HK$311 million). The performance bond was issued with an indemnity from Telstra.

(b) The Group had contingent liabilities amounting to HK$13,445,068 as at 30 June 2006 (30 June 2005: HK$4,630,000) in respect of bank guarantees issued in favour of third parties.

32. OPERATING LEASE ARRANGEMENTS

(i) As lessor

The Group leases certain of its leasehold buildings under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of leases also require the tenants to pay security deposits.

At 30 June 2006, the Group had total future minimum lease receivables under noncancellable operating leases with its tenants falling due as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	1,400	1,121
In the second to fifth years, inclusive	245	484
	1,645	1,605

(ii) As lessee

The Group leases certain properties under operating lease arrangements. As at 30 June 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	386,653	240,119
In the second to fifth years, inclusive	227,480	127,310
After five years	4,883	2,587
	619,016	370,016

33. COMMITMENTS

In addition to the operating lease commitment detailed in note 32(ii) above, the Group had the following capital commitments not provided for in the financial statements at the balance sheet date:

	2006 *HK$'000*	2005 *HK$'000*
Contracted, but not provided for, purchases of items of property, plant and equipment	119,478	59,435
Authorised, but not contracted for, purchases of items of property, plant and equipment	390,159	540,716
Contracted, but not provided for, capital contributions payable to a jointly-controlled entity	23,400	23,400

In addition, the Group's share of a jointly-controlled entity's own capital commitments, which are not included above, as at the balance sheet date was as follows:

	2006 *HK$'000*	2005 *HK$'000*
Contracted, but not provided for, purchases of property, plant and equipment	–	3,960

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

	Notes	2006 *HK$'000*	2005 *HK$'000*
Transactions with Telstra			
Purchases of roaming services	*(i)*	8,834	9,384
Sale of roaming services	*(ii)*	(21,775)	(15,135)
Purchases of international call services	*(iii)*	78,455	29,913
Interest charges	*(iv)*	11,799	27,517
Interest income	*(iv)*	(10,021)	(15,471)
Transactions with related companies			
Purchases of international call services	*(v)*	12,591	46,163
Purchases of items of property, plant and equipment	*(vi)*	216	–
Recharge of office administrative expenses	*(vii)*	2,533	–
Rental charges	*(viii)*	7,749	–
Purchases of products	*(ix)*	4,954	–
Service fee income	*(x)*	(1,004)	–

Notes:

(i) The purchases of roaming services were charged by Telstra on the basis of the usage of Telstra's network by the Group's customers at rates specified on invoices.

(ii) The roaming services were charged against Telstra on the basis of the usage of the Group's network by Telstra's customers at rates specified on invoices.

(iii) The international call services were charged against the Group on the basis of the Group's usage at rates specified on invoices.

(iv) Details of the interest terms for the balances with Telstra are included in note 1 to the financial statements.

(v) The international call services were provided by a jointly-owned entity of Telstra. The services were charged against the Group on the basis of the Group's usage at rates specified on invoices.

(vi) Purchases of items of property, plant and equipment were conducted in the normal course of business and subject to the contract terms agreed between the parties which have certain common directors.

(vii) The recharge of office administrative expenses between the parties which have certain common directors was based on the actual costs plus 15% mark-up.

(viii) Rental costs were charged at fixed monthly fees according to the terms of the contract agreed between the parties involved.

(ix) Purchases were conducted in the normal course of business and subject to the contract terms agreed between the parties involved.

(x) Service fee income was based on the terms of the contracts agreed between the parties involved.

(b) Compensation of the key management personnel of the Group for the year

	2006	**2005**
	HK$'000	*HK$'000*
Short term employee benefits	20,192	20,194
Post-employment benefits	1,225	1,185
Total compensation paid to key management personnel	21,417	21,379

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial assets and liabilities are, in the normal course of business, exposed to foreign currency risk, interest rate risk and credit risk. The Group's risk management strategy aims to minimise the adverse effects of financial risks on the financial performance of the Group. Financial instruments, if any, are only used to hedge underlying commercial exposures and are not held or sold for speculative purposes.

(a) Foreign currency risk

The Group incurs foreign currency risk on transactions for receipts and payments for international telecommunications traffic settled in foreign currencies and other purchase transactions priced in foreign currencies.

The Group manages this risk by initially seeking contracts effectively denominated in Hong Kong dollar where possible and economically favourable to do so. The Group will continue to monitor its foreign currency risk exposure and market conditions to determine if any hedging is required. The Group does not conduct any foreign currency speculative activities.

(b) Interest rate risk

As the Group has fully settled all the interest-bearing balances with its ultimate holding company in the current year and any further advances to or from the ultimate holding company are not expected to be significant in the near future, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group has cash balances placed with reputable banks which generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

(c) Credit risk

The Group's credit risk is mitigated by its combination of cash and credit sales. For credit sales, the Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed by formulating a credit policy for credit checks, credit reviews and monitoring procedures that include a formal collection process.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 August 2006.

The following is extracted from the audited consolidated financial statements of the NWPCS Group as at and for the nine months ended 31 March 2006. These consolidated financial statements are qualified by the NWPCS Group's auditors in respect of the omission of comparative figures as at and for the nine months ended 31 March 2005.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 31 MARCH 2006

	Note	Nine months ended 31 March 2006 HK$'000
Turnover	5	1,402,827
Cost of sales	6	(836,095)
Gross profit		566,732
Interest income		716
Selling expenses	6	(85,313)
Administrative expenses	6	(420,713)
Operating profit		61,422
Finance costs	7	(34,319)
Profit before taxation		27,103
Taxation	10	(4,874)
Profit attributable to shareholders		22,229

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2006

		Group
		As at 31 March 2006
	Note	*HK$'000*
Non-current assets		
Fixed assets	*11*	965,519
Deferred taxation	*12*	162,598
Rental and other deposits		5,949
		1,134,066
Current assets		
Inventories	*13*	25,594
Trade receivables		107,035
Prepayments and other receivables		31,252
Rental and other deposits		38,697
Amount due from immediate holding company	*14*	5,625
Amounts due from fellow subsidiaries	*14*	1,784
		209,987
Current liabilities		
Bank overdrafts		383
Trade payables		73,251
Accrued charges, other payables, deposits received and deferred income		334,709
Amount due to a related company	*14*	40
		408,383
Net current liabilities		(198,396)
Total assets less current liabilities		935,670
Representing:		
Share capital	*16*	1,112,039
Accumulated losses		(872,860)
Other reserves		689,792
Shareholders' funds		928,971
Non-current liabilities		
Asset retirement obligations		6,699
		935,670

CONSOLIDATED CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED 31 MARCH 2006

	Note	Nine months ended 31 March 2006 HK$'000
Operating activities		
Net cash inflow generated from operations	17	124,322
Interest paid		(29,534)
Net cash inflow from operating activities		94,788
Investing activities		
Purchase of fixed assets		(97,354)
Sales of fixed assets		337
Interests received		716
Net cash outflow from investing activities		(96,301)
Net cash outflow before financing		(1,513)
Financing activities		
Repayment of bank loan		(102,500)
Net cash outflow from financing activities		(102,500)
Net decrease in cash and cash equivalents		(104,013)
Cash and cash equivalents at 1 July 2005		103,630
Cash and cash equivalents at 31 March 2006		(383)
Analysis of balances of cash and cash equivalents:		
Bank overdrafts		(383)
		(383)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 MARCH 2006

	Share capital	Other reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2005, as previously stated	300	689,792	(771,097)	(81,005)
Initial adoption of HKAS 16 – accretion and depreciation expenses arising from asset retirement obligations *(Note 2)*	–	–	(4,585)	(4,585)
Change in accounting policy for handset subsidies and prepayment *(Note 2)*	–	–	(119,407)	(119,407)
At 1 July 2005, as restated	300	689,792	(895,089)	(204,997)
Profit for the period	–	–	22,229	22,229
Issue of shares	1,111,739	–	–	1,111,739
At 31 March 2006	1,112,039	689,792	(872,860)	928,971

NOTES TO THE ACCOUNTS

1 General information

New World PCS Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") is principally engaged in offering superior mobile telecommunications services including voice and data services tailored to the specific needs of individual customer groups via advanced mobile technology and technology related business including mobile internet-related services and information technology outsourcing activities in Hong Kong.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is Ugland House, P.O. Box 309, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

2 Principal accounting policies

(a) Basis of preparation

On 8 December 2005, New World Mobile Holdings Limited ("NWMHL"), Telstra CSL Limited ("Telstra CSL") and Telstra Holdings (Bermuda) No. 2 Limited ("Telstra SPV") entered into an agreement ("Merger Agreement") pursuant to which Telstra CSL has agreed to issue and allot and NWMHL has agreed to procure its subsidiary to subscribe for new shares in Telstra CSL in exchange for the transfer of all of NWMHL's interests in the Group to Telstra CSL and a cash payment by NWMHL to Telstra CSL. An amendment agreement ("Amendment Agreement") was entered into on 30 March 2006 further to the Merger Agreement. The transaction was completed on 31 March 2006. The accounts have been prepared at the completion date required under the Merger Agreement.

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") except that the amounts do not contain comparative information as required by Hong Kong Accounting Standard 1 "Presentation of Financial Statements". The consolidated accounts have been prepared under the historical cost convention.

At 31 March 2006, the Group had net current liabilities of HK$198,396,000, NWMHL and Telstra Corporation Limited have expressed its intention to provide financial support to the Group so as to enable it to meet its liabilities as and when they fall due end continue its operation for the foreseeable future. Consequently, the directors have prepared the accounts on a going concern basis.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in Note 4.

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised standards and interpretations of HKFRS (collectively "new HKFRSs") below which are effective for accounting periods beginning on or after 1 January 2005.

(i) From 1 July 2005, the Group adopted the HKFRSs below, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date

HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments Disclosure and Presentation
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 15	Operating Leases – Incentives
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of HKASs 1, 2, 7, 8, 10, 17, 21, 23, 24, 27, 37 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected certain presentation in the balance sheet, profit and loss account and statement of changes in equity.

– HKASs 2, 7, 8, 10, 17, 23, 27, 37 and HKAS-Int 15 had no material effect on the Group's policies.

– The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity accounts.

– HKAS 24 has affected the identification of related parties and certain other related-party disclosures.

The adoption of HKAS 16 has resulted in a change in accounting policy of which the costs of fixed assets include the estimated obligations which arise from future reinstatement of leased properties.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, whenever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for information prior to 1 July 2005. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 July 2005.

The adoption of HKAS 16 resulted in:

	As at 31 March 2006 *HK$'000*
Increase in fixed assets	1,535
Increase in accumulated losses	5,164
Increase in asset retirement obligations	6,699

	Nine months ended 31 March 2006 *HK$'000*
Decrease in profit attributable to shareholders	579

In prior years, the costs of such asset retirement obligations were not recognised as part of the underlying fixed assets at the time when the fixed assets were acquired.

(ii) On 1 July 2004, the Group early adopted the following new HKFRSs (the "HKFRS 3 Package"), which were effective for accounting periods beginning on or after 1 January 2005, in the accounts:

HKFRS 3 – Business Combinations
HKAS 36 – Impairment of Assets
HKAS 38 – Intangible Assets

The early adoption of the HKFRS 3 Package does not have any significant impacts on the accounting policies of the Group.

(iii) In prior years, when handset and mobile subscription services were sold at a package with handset subsidies offered to customers, consideration would be allocated to handset sales and mobile subscription service using the relative fair value model. Accordingly, the portion allocated to handset sales was recognised as sales upon delivery of goods, and the remaining amount allocated to mobile subscription services was amortised on a straight line basis over the contract period. Handset subsidies were capitalised and amortised on a straight-line basis over the same contract period.

On 31 March 2006, the Group changed its accounting policy, pursuant to which handset subsidies are expensed as incurred. The directors consider that the new accounting policy involves less subjective judgement and estimates.

The change in accounting policy resulted in:

	As at 31 March 2006 *HK$'000*
Decrease in prepayments and other receivable	51,400
Increase in accrued charges, other payables, deposits received and deferred income	81,194
Increase in accumulated losses	132,594

	Nine months ended 31 March 2006 *HK$'000*
Decrease in profit attributable to shareholders	13,187

(b) Group accounting

The consolidated accounts of the Group include the accounts of the Company and all its direct and indirect subsidiaries made up to 31 March 2006.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	20%
Furniture and fittings	20%
Leasehold improvements	shorter of the lease term or 20%
Motor vehicles	20%
Testing equipment	33.33%
Digital, switching and transmission system	10% – 20%

No deprecation is provided for any part of the construction in progress.

Historical costs of fixed assets include expenditures that are directly attributable to the construction or acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises all direct costs of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(e) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(h) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to eligible employees, the assets of which are held in separate trustee administered funds. The Group's contribution to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(iii) Bonus

Provisions for bonus due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(i) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(k) Revenue recognition

Mobile communications services revenue is recognised when the service is rendered and is based on the usage of the digital mobile radio telecommunication network and facilities. Mobile communications services revenue in respect of standard service plans billed in advance at year end is deferred and recognised when the service is rendered. Revenue received in advance for the provision of mobile communications services using prepaid cards is deferred and amortised based on the actual usage by customers.

Revenue from sales of mobile handsets and accessories is recognised when goods are delivered and title has passed.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(l) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(m) Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow and fair value interest rate risks.

The Group's risk management program seeks to minimise the potential adverse effects of financial risks on the Group's performance.

(i) Credit risk

The Group has no significant concentration of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, in cash or via major credit cards. The Group has policies that limit the amount of credit exposure to any customers.

(ii) Liquidity risk

The Group monitors current and expected liquidity requirements to ensure sufficient cash and adequate amount of committed credit facilities are maintained. Due to the nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iii) Cash flow and fair value interest rate risks

As the Group has no significant interest-bearing assets, the Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

(b) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Estimated useful economic lives and impairment of fixed assets

Fixed assets used in the network are long-lived but may be subject to technical obsolescence. The annual depreciation charges are sensitive to the estimated economic useful lives the Group allocates to each type of fixed assets. Management performs annual reviews to assess the appropriateness of their estimated economic useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned. Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, management assess the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as the market competition and development and the expected growth in subscribers and average revenue per subscriber.

(ii) Asset retirement obligations

The Group evaluates and recognises, on a regular basis, the fair value of fixed assets and obligations which arise from future reinstatement of leased properties upon end of lease terms. To establish the fair values of the asset retirement obligations, estimates and judgement are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as the types of leased properties, probability of renewal of lease terms and restoration costs. The discount rate used is referenced to the Group's historical weighted average cost of capital.

(iii) Deferred tax

The Group provides for deferred taxation in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax assets are only recognised to the extent that it is probable future taxation profits will be available against which the unused tax losses or unused tax credits can be utilised, and significant judgement is required in determining whether it is probable. If the group is not able to generate sufficient future taxation profits to utilise the temporary differences, a provision for the deferred tax asset would need to be made.

5 Turnover

The Group principally engages in the provision of mobile communications services and the sales of mobile handsets and accessories. Revenues recognised during the period are as follow:

	Nine months ended 31 March 2006 *HK$'000*
Turnover	
Mobile communications services	971,494
Sales of mobile handsets and accessories	431,333
	1,402,827

6 Expenses by nature

Expenses included in cost of sales, selling expenses and administrative expenses are analysed as follows:

	Nine months ended 31 March 2006 *HK$'000*
Crediting	
Net exchange gains	1,597
Charging	
Auditors' remuneration	748
Cost of inventories sold	299,360
Depreciation of fixed assets	198,703
Loss on disposal of fixed assets	545
Operating lease rentals for land and buildings	35,898
Operating lease rentals for transmission sites	130,492
Provision for bad and doubtful debts	8,706
Staff costs, including directors' emoluments *(Note 8)*	103,938

7 Finance costs

	Nine months ended 31 March 2006 *HK$'000*
Interest on secured long-term bank loan	794
Interest on loan from a fellow subsidiary *(Note 15)*	30,572
Interest on other borrowings	2,464
Accretion expenses *(Note)*	489
	34,319

Note:

Accretion expenses represented changes in the liabilities of an asset retirement obligation due to passage of time by applying an interest method of allocation to the account of the liability at the beginning of the period.

8 Staff costs (including directors' emoluments)

	Nine months ended 31 March 2006 HK$'000
Wages and salaries	93,446
Bonuses	6,708
Pension costs – defined contribution plans	3,763
Termination benefits	1,234
Medical insurance, staff welfare and other allowances	2,100
Less: staff costs capitalised as fixed assets	(3,313)
	103,938

9 Directors' emoluments (equivalent to key management compensation)

No directors' emoluments were paid or payable to directors of the Company during the period.

10 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the period. The Group has sufficient tax losses brought forward to offset the estimated assessable profit for the period.

The amount of taxation charged to the consolidated profit and loss account for the period represents:

	Nine months ended 31 March 2006 HK$'000
Deferred taxation relating to the origination and reversal of temporary differences *(Note 12)*	4,874

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the companies as follows:

	Nine months ended 31 March 2006 HK$'000
Profit before taxation	27,103
Calculated at a taxation rate of	17.5%
Notional tax on profit before taxation	4,743
Income not subject to taxation	(111)
Expenses not deductible for taxation purpose	157
Others	85
Taxation charge	4,874

11 Fixed assets

	Group							
	Computer equipment	Furniture and fittings	Leasehold improvements	Motor vehicles	Testing equipment	Digital, switching and transmission system	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2005								
Cost as previously reported	215,651	21,298	45,243	1,417	28,175	2,193,535	22,798	2,528,117
Asset retirement obligations	–	–	157	–	–	4,056	–	4,213
Cost, as restated	215,651	21,298	45,400	1,417	28,175	2,197,591	22,798	2,532,330
Accumulated depreciation, as previously reported	150,135	19,495	30,694	944	27,969	1,233,074	–	1,462,311
Asset retirement obligations	–	–	121	–	–	2,148	–	2,269
Accumulated depreciation, as restated	150,135	19,495	30,815	944	27,969	1,235,222	–	1,464,580
Net book amount	65,516	1,803	14,585	473	206	962,369	22,798	1,067,750
During the nine months ended 31 March 2006								
Opening net book amount	65,516	1,803	14,585	473	206	962,369	22,798	1,067,750
Additions	4,100	163	1,997	–	–	82,307	8,787	97,354
Transfer between classes	(744)	(46)	(30)	–	–	16	804	–
Charge for the period	18,134	800	6,004	108	151	173,506	–	198,703
Disposals	(22)	(1)	(18)	–	–	(841)	–	(882)
Closing net book amount	50,716	1,119	10,530	365	55	870,345	32,389	965,519
At 31 March 2006								
Cost	216,332	21,374	47,328	922	28,175	2,278,842	32,389	2,625,362
Accumulated depreciation	165,616	20,255	36,798	557	28,120	1,408,497	–	1,659,843
Net book amount	50,716	1,119	10,530	365	55	870,345	32,389	965,519

12 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts offset are as follows:

	Group
	As at 31 March 2006
	HK$'000
Deferred income tax assets:	
– Deferred income tax assets to be recovered after more than 12 months	210,309
– Deferred tax assets to be recovered within 12 months	29,960
	240,269
Deferred income tax liabilities:	
– Deferred income tax assets to be recovered after more than 12 months	54,210
– Deferred income tax liabilities to be recovered within 12 months	23,461
	77,671

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movement on the deferred tax assets account is as follows:

	As at 31 March 2006
	HK$'000
At the beginning of the period	167,472
Deferred taxation charged to profit and loss account *(Note 10)*	(4,874)
At the end of the period	162,598

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. There is no limitation in Hong Kong on the year in which the Group's tax losses carried forward can be utilised.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the period are as follows:

	Group		
	Provision	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets			
At 30 June 2005	2,076	260,663	262,739
Charged to profit and loss account	(24)	(22,446)	(22,470)
At 31 March 2006	2,052	238,217	240,269

	Group
	Accelerated tax depreciation
	HK$'000
Deferred tax liabilities	
At 30 June 2005	95,267
Credited to profit and loss account	(17,596)
At 31 March 2006	77,671

13 Inventories

	Group
	As at 31 March 2006
	HK$'000
Merchandise	25,594

14 Amounts due from/(to) fellow subsidiaries, immediate holding company and a related company – Group

The balances are unsecured, interest free and repayable on demand.

The carrying amounts due from/(to) fellow subsidiaries, immediate holding company and a related company approximate their fair values.

15 Loan from a fellow subsidiary

On 29 March 2004 a sale and purchase agreement (the "S&P Agreement") was entered into between New World Telephone Holdings Limited ("NWTHL"), a wholly-owned subsidiary of New World Development Company Limited, and the Company's immediate holding company, New World Mobile Holdings Limited ("NWMHL"), pursuant to which NWMHL agreed to purchase the 100% equity interest of the Company and its subsidiaries (the "Group") from NWTHL at an aggregate cash consideration of HK$1,250,000,000. This transaction (the "Acquisition") was completed on 6 July 2004 (the "Completion Date").

Pursuant to the S&P Agreement, if the total of the bank loan and amounts due to immediate holding company and ultimate holding company (collectively, the "Aggregate Liabilities") by the Group on the business day prior to the completion of the Acquisition exceeds HK$1,250,000,000, the exceeding amount due to immediate holding company and ultimate holding company would be capitalised so that the Aggregate Liabilities at the Completion Date would not exceed HK$1,250,000,000.

As such, prior to the completion of the Acquisition, an amount of approximately HK$914,092,000 due to the then immediate holding company by the Group was capitalised through the issuance of 298,911,000 shares of ordinary shares on 6 July 2004. The remaining balance of amounts due to the then immediate holding company and ultimate holding company of HK$877,500,000 was repaid by a fresh loan from a fellow subsidiary which will be repayable upon demand after 29 September 2005 and interest bearing at 0.65% above HIBOR per annum.

On 30 March 2006, the loan from the fellow subsidiary was capitalised through the issuance of 886,749,279,000 shares of ordinary shares and was repaid by a fresh promissory note issued by NWMHL endorsed in favour of New World PCS Limited, a wholly-owned subsidiary of the Company, to the fellow subsidiary.

16 Share capital

	Authorised				
	Non-voting redeemable convertible preference shares of HK$0.001 each		Ordinary shares HK$0.001 each		Total
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*	*HK$'000*
At 1 July 2005	200,000	–	300,000,000	300	300
Creation of new shares *(Note a)*	–	–	1,499,700,000,000	1,499,700	1,499,700
At 31 March 2006	200,000	–	1,500,000,000,000	1,500,000	1,500,000

	Issued and fully paid ordinary shares HK$0.001 each	
	No. of shares	*HK$'000*
At 1 July 2005	300,000,000	300
Issue of shares *(Note b)*	1,111,739,279,000	1,111,739
At 31 March 2006	1,112,039,279,000	1,112,039

Notes:

a) 1,499,700,000,000 shares were created on 22 February 2006 by a sole ordinary shareholder's resolution.

b) On 30 March 2006, 886,749,279,000 and 224,990,000,000 shares were issued for the capitalisation of loan from a fellow subsidiary and an amount due to the immediate holding company respectively.

17 Notes to consolidated cash flow statement

Reconciliation of profit before taxation to net cash inflow generated from operations:

	Nine months ended 31 March 2006
	HK$'000
Profit before taxation	27,103
Depreciation	198,703
Loss on disposal of fixed assets	545
Interest income	(716)
Interest expenses	34,319
Operating profit before working capital changes	259,954
Decrease in inventories	12,430
Increase in trade receivables	(13,020)
Decrease in prepayments and other receivables	10,707
Decrease in rental and other deposits	3,657
Increase in amounts due from fellow subsidiaries	(1,755)
Decrease in trade payables	(37,299)
Decrease in amounts due to immediate holding company, fellow subsidiaries and a related company	(40,592)
Decrease in accrued charges, other payables, deposits received and deferred income	(69,441)
Decrease in asset retirement obligations	(319)
Net cash inflow generated from operations	124,322

18 Contingent liabilities

	Group
	As at 31 March 2006
	HK$'000
Bank guarantees in lieu of deposits	8,590

Directors anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

19 Commitments

(a) Capital Commitments

	Group
	As at 31 March 2006
	HK$'000
Contracted but not provided for	55,703
Authorised but not contracted for	32,318
	88,021

(b) Commitments under operating leases

At 31 March 2006, the Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	Group
	As at 31 March 2006
	HK$'000
Land and buildings	
Within one year	138,064
In the second to fifth year inclusive	85,846
After the fifth year	15,337
	239,247

20 Related party transactions

The Group is controlled by NWMHL, a company incorporated in Cayman Islands and listed on The Stock Exchange of Hong Kong Limited, which owns 100% of the Company's shares. The ultimate parent of the Group is New World Development Company Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

(i) The Group undertook the following material transactions with related parties, which were carried out in the normal course of the business, during the period:

	Note	Nine months ended 31 March 2006 HK$'000
Purchase from fellow subsidiaries	*(a)*	(29,649)
Purchase of fixed assets from a related company	*(b)*	(1,615)
Service fee income from a fellow subsidiary	*(c)*	3,208
Rental expenses paid/payable to fellow subsidiaries	*(d)*	(15,584)
Loan interest paid/payable to a fellow subsidiary	*(e)*	(30,572)
Reimbursement of office administrative expenses and fee charged from a related company	*(f)*	(9,970)

Notes:

(a) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved.

(b) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved. Certain directors of the Company are also directors of the related company.

(c) Service fee was subject to the terms of the contracts entered by the parties involved.

(d) Rental expenses were charged at a fixed monthly fee subject to the terms of the contract signed by the parties involved.

(e) The interest was charged at 0.65% above HIBOR per annum.

(f) The reimbursement of office administrative expenses were charged on actual cost basis and the fee were calculated at 15% mark-up on actual costs incurred.

21 Approval of the accounts

The accounts were approved by the board of directors on 24 August 2006.

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

1. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE REMAINING GROUP AS AT 30 JUNE 2006

The following is a pro forma consolidated balance sheet of the Remaining Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal as if it had taken place on 30 June 2006. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Remaining Group had the Disposal been completed as at 30 June 2006 or at any future dates.

	Audited consolidated balances of the Group	**Pro forma adjustments**			**Unaudited pro forma consolidated balances of the Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
ASSETS					
Non-current assets					
Property, plant and equipment	6,183				6,183
Investments in associated companies	2,142,737	(2,142,737)			–
Intangible assets	–				–
	2,148,920				6,183
Current assets					
Trade receivables	4,266				4,266
Prepayments, deposits and other receivables	1,368				1,368
Amount due from an associated company	113,328				113,328
Amount due from a related company	813				813
Cash and bank balances	27,691	83,644			111,335
	147,466				231,110
Total assets	2,296,386				237,293
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	16,154				16,154
Other reserves	(82,905)	(53,185)	(59,510)		(195,600)
(Accumulated losses)/retained profits	(30,538)	365,554	59,510	(114,403)	280,123
	(97,289)				100,677

	Audited consolidated balances of the Group	Pro forma adjustments			Unaudited pro forma consolidated balance of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
LIABILITIES					
Non-current liabilities					
Loans from a fellow subsidiary	278,024	(278,024)			–
Promissory note issued to a fellow subsidiary	886,749	(886,749)			–
Convertible bond	28,261	(28,261)			–
Subscription note	1,178,008	(1,178,008)			–
	2,371,042				–
Current liabilities					
Trade payables	809				809
Accrued charges, other payables, deposits received and deferred income	15,779				15,779
Amounts due to fellow subsidiaries	420	(420)			–
Amount due to an associated company	5,625				5,625
Dividend payable				114,403	114,403
	22,633				136,616
Total liabilities	2,393,675				136,616
Total equity and liabilities	2,296,386				237,293
Net current assets	124,833				94,494
Total assets less current liabilities	2,273,753				100,677

Notes:

1. The amounts have been extracted without adjustment from the accountants' report on the Group as set out in Appendix I to this circular.

2. The adjustments have been made to record (a) a gain of approximately HK$13,291,000 in the consolidated income statement and a decrease of approximately HK$53,185,000 in convertible bond reserve in other reserves on extinguishment of the Subscription Note and the Convertible Bond before their respective original maturity dates in accordance with Hong Kong Accounting Standard 32 Financial Instruments – Disclosure and Presentation, (b) a gain on the Disposal of approximately HK$352,263,000, and (c) net cash inflows of approximately HK$83,644,000 being the sales proceeds from the Disposal of HK$2,500,000,000 from NWD after set-off of the aggregate amount of approximately HK$2,411,356,000 owing by NWM to PPG under the Subscription Note, NWCBN under the Convertible Bond and amounts due to fellow subsidiaries and NWF under the promissory note issued to a fellow subsidiary, loans from a fellow subsidiary and amounts due to fellow subsidiaries, and payment of professional fee incurred for the Disposal.

   The financial impact of the extinguishment of the Subscription Note and the Convertible Bond before their respective original maturity dates is arrived based on an assumption that at the date of the extinguishment, the Company could have issued non-convertible debt with similar term bearing a coupon interest rate of 5.21% per annum and 5.20% per annum for the Subscription Note and the Convertible Bond respectively.

3. The adjustments have been made to transfer the remaining balance in convertible bond reserve in other reserves to accumulated losses due to the extinguishment of the Subscription Note and the Convertible Bond.

4. The adjustment represents declaration of the Special Dividend to be financed by the Cash Consideration. Based on 95,336,069 Shares in issue as at 30 June 2006 and the Special dividend of HK$1.20 per Share, the total amount of the Special Dividend will be approximately HK$114.4 million.

5. Save for the Disposal, no adjustment has been made to reflect any other results of transactions of the Group entered into subsequent to 30 June 2006.

2. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE REMAINING GROUP FOR THE YEAR ENDED 30 JUNE 2006

The following is an illustrative and pro forma consolidated income statement of the Remaining Group which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal as if it had taken place on 1 July 2005. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Remaining Group had the Disposal been completed as at 1 July 2005 or at any future dates.

	Audited consolidated amounts of the Group	**Pro forma adjustments**		**Unaudited pro forma consolidated amounts of the Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
Continuing operations:				
Turnover	16,515			16,515
Cost of sales	(4,842)			(4,842)
Gross profit	11,673			11,673
Other income	823			823
Other net losses	(65,436)			(65,436)
Selling expenses	(9,775)			(9,775)
Administrative expenses	(35,797)			(35,797)
Operating loss	(98,512)			(98,512)
Finance costs	(62,786)	60,526		(2,260)
Share of results of associated companies	27,731	(27,731)		–
Gain on disposal of associated companies	–		379,994	379,994
(Loss)/profit before taxation	(133,567)			279,222
Taxation	–			–
Loss from continuing operations	(133,567)			279,222
Discontinued operations:				
Profit from discontinued operations	1,045,209	(1,045,209)		–
Profit attributable to shareholders	911,642			279,222

Notes:

1. The amounts have been extracted without adjustment from the accountants' report on the Group as set out in Appendix I to the circular.

2. The adjustments have been made to (a) the reverse interest expenses of approximately HK$62,786,000 for the year ended 30 June 2006 on the Subscription Note, the Convertible Bond, the promissory note issued to a fellow subsidiary and loans from a fellow subsidiary which would have been avoided assuming they have been redeemed or fully repaid on 1 July 2005; (b) recognise a net loss of approximately HK$2,260,000 on extinguishment of the Subscription Note and Convertible Bond before their respective original maturity dates in accordance with Hong Kong Accounting Standard 32 Financial Instruments – Disclosure and Presentation; and (c) the reverse share of results of the CSL NWM Group, the associated companies, for the three months ended 30 June 2006 and profit from discontinued operations as it is assumed the Disposal had taken place on 1 July 2005.

   The financial impact of the extinguishment of the Subscription Note and the Convertible Bond before their respective original maturity dates is arrived based on an assumption that at the date of the extinguishment, the Company could have issued non-convertible debt with similar term bearing a coupon interest rate of 4.00% per annum and 4.02% per annum for the Subscription Note and the Convertible Bond respectively.

3. The adjustment represents the gain on the Disposal as if the Disposal Completion had taken place on 1 July 2005.

4. Save for the Disposal, no adjustment has been made to reflect any other results of transactions of the Group entered into subsequent to 30 June 2006.

3. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP FOR THE YEAR ENDED 30 JUNE 2006

The following is an illustrative and pro forma consolidated cash flow statement of the Remaining Group which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal as if it had taken place on 1 July 2005. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Remaining Group had the Disposal been completed as at 1 July 2005 or at any future dates.

	Audited consolidated amounts of the Group		Pro forma adjustments			Unaudited pro forma consolidated amounts of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Operating activities						
Cash used in continuing operations	(26,304)					(26,304)
Interest paid	(16,108)		6,668			(9,440)
Dividend paid	–				(114,403)	(114,403)
Net cash used in continuing operations	(42,412)					(150,147)
Net cash generated from discontinued operations	131,421	(131,421)				–
Net cash generated from/(used in) operating activities	89,009					(150,147)
Investing activities						
Purchase of property, plant and equipment	(86)					(86)
Acquisition of subsidiaries	9,896					9,896
Disposal of subsidiaries	384					384
Acquisition of associated companies	(276,384)					(276,384)
Disposal of associated companies	–			2,495,000		2,495,000
Dividend received from an associated company	7,523					7,523
Interest received	823					823
Net cash (used in)/generated from continuing operations	(257,844)					2,237,156
Net cash used in discontinued operations	(96,302)	96,302				–
Net cash (used in)/generated from investing activities	(354,146)					2,237,156

	Audited consolidated amounts of the Group		Pro forma adjustments			Unaudited pro forma consolidated amounts of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Financing activities						
Increase in loans from a fellow subsidiary	278,024					278,024
Repayment of loans from fellow subsidiary, promissory note issued to a fellow subsidiary, subscription note and convertible bond				(2,393,059)		(2,393,059)
Net cash used in repayment of bank loan and amount due to the ultimate holding company of discontinued operations	(102,500)	102,500				–
Net cash generated from/(used in) financing activities	175,524					(2,115,035)
Net decrease in cash and cash equivalents	(89,613)					(28,026)
Cash and cash equivalents at the beginning of the year	116,534					116,534
Cash and cash equivalents at the end of the year	26,921					88,508

Notes:

1. The amounts have been extracted without adjustment from the accountants' report on the Group as set out in Appendix I to the circular.

2. The adjustments have been made to reverse cash flows of the NWPCS Group for the nine months from 1 July 2005 to 31 March 2006 (date of actual disposal of the NWPCS Group) as if the disposal of the NWPCS Group had taken place on 1 July 2005.

3. The adjustment has been made to reverse interest paid for interest expenses during the year ended 30 June 2006 as if the repayment of the relevant loans, the promissory note and the Convertible Bond had been made on 1 July 2005.

4. The adjustments have been made to record cash inflow generated from the Consideration of HK$2,500,000,000 from NWD after payment of professional fee for the Disposal, and cash outflow for the repayment of all amounts owing to PPG under the Subscription Note, NWCBN under the Convertible Bond and New World Finance under the promissory note and loans from a fellow subsidiary by way of set-off against the Consideration from NWD.

5. The adjustment represents payment of the Special Dividend to be financed by the Cash Consideration. Based on 95,336,069 Shares in issue as at 30 June 2006 and the Special dividend of HK$1.20 per Share, the total amount of the Special Dividend will be approximately HK$114.4 million.

6. Save for the Disposal, no adjustment has been made to reflect any other results of transactions of the Group entered into subsequent to 30 June 2006.

4. REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the Company's auditors and reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

REPORT FROM ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF NEW WORLD MOBILE HOLDINGS LIMITED

We report on the unaudited pro forma financial information of New World Mobile Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 160 to 166 under the heading of "Unaudited Pro Forma Financial Information" (the "Unaudited Pro Forma Financial Information") in Appendix V to the Company's circular dated 15 December 2006, in connection with the proposed very substantial disposal of the entire issued share capital of, and loan to Upper Start Holdings Limited (the "Transaction") by the Company (the "Circular"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 160 to 166 of the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated balance sheet as at 30 June 2006, and income and cash flows statements of the Group for the year ended 30 June 2006 with the accountants' report as set out in Appendix I to this Circular, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Group as at 30 June 2006 or any future date, or

– the results and cash flows of the Group for the year ended 30 June 2006 or any future periods.

OPINION

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 15 December 2006

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) the Company

As at the Latest Practicable Date, the interests of the Directors in the Shares were as follows:

	Number of Shares				
Name	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Approximate percentage of issued capital as at the Latest Practicable Date**
Dr. Cheng Kar Shun, Henry	780,000	–	–	780,000	0.80%
Mr. Doo Wai Hoi, William, *JP*	300,000	–	–	300,000	0.31%
Dr. Wai Fung Man, Norman	482,000	–	–	482,000	0.49%
Mr. Chow Yu Chun, Alexander	482,000	–	–	482,000	0.49%
Mr. Ho Hau Chong, Norman	78,000	–	–	78,000	0.08%
Mr. Kwong Che Keung, Gordon	78,000	–	–	78,000	0.08%
Mr. Hui Chiu Chung, *JP*	78,000	–	–	78,000	0.08%
Mr. Lo	–	–	55,336,666 (1)	55,336,666	56.64%

Note:

(1) Pursuant to the Acquisition Agreement, 55,336,666 Shares were agreed to be conditionally acquired by the Offeror, which is beneficially wholly-owned by Mr. Lo, from NWD. As such, Mr. Lo is deemed to be interested in these Shares.

(ii) the associated corporations of the Company

As at the Latest Practicable Date, the interests of the Directors in the shares of the associated corporations of the Company were as follows:

	Number of shares/amount of registered capital				Approximate percentage of issued/ registered capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Total	
New World China Land Limited ("NWCL")					
(Ordinary shares of HK$0.10 each)					
Dr. Cheng Kar Shun, Henry	12,500,000	–	52,271,200 (1)	64,771,200	1.69%
Mr. Doo Wai Hoi, William, *JP*	8,750,000	–	65,050,000 (2)	73,800,000	1.93%
Mr. Chow Yu Chun, Alexander	6,550,000	–	–	6,550,000	0.17%
NWD					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar Shun, Henry	–	300,000 (3)	–	300,000	0.01%
Mr. Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
NWS Holdings Limited ("NWSH")					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar Shun, Henry	9,179,199	587,000 (3)	8,000,000 (1)	17,766,199	0.90%
Mr. Chow Yu Chun, Alexander	2,026,645	–	–	2,026,645	0.10%
Mr. Doo Wai Hoi, William, *JP*	8,006,566	–	3,130,000 (2)	11,136,566	0.56%
Mr. Kwong Che Keung, Gordon	601,969	–	–	601,969	0.03%
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US$)					
Mr. Doo Wai Hoi, William, *JP*	–	–	US$3,000,000 (4)	US$3,000,000	30.00%
Master Services Limited					
(Ordinary shares of US$0.01 each)					
Mr. Chow Yu Chun, Alexander	16,335	–	–	16,335	1.63%
Ramada Property Ltd.					
(Ordinary shares of US$1.00 each)					
Mr. Doo Wai Hoi, William, *JP*	–	–	200 (2)	200	20.00%
Shanghai Juyi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai Hoi, William, *JP*	–	–	RMB229,500,000 (4)	RMB229,500,000	30.00%
Faith Yard Property Limited					
(Ordinary shares of US$1.00 each)					
Mr. Doo Wai Hoi, William, *JP*	–	–	1 *(Note 5)*	1	50.00%

	Number of shares/amount of registered capital Personal interests	Family interests	Corporate interests	Total	Approximate percentage of issued/ registered capital as at the Latest Practicable Date
Fortune Star Worldwide Limited					
(Ordinary shares of US$1.00 each)					
Mr. Doo Wai Hoi, William, *JP*	–	–	60 *(Note 5)*	60	60.00%
Grand Make International Limited					
(Ordinary shares of US$1.00 each)					
Mr. Doo Wai Hoi, William, *JP*	–	–	15 *(Note 5)*	15	15.00%
Shanghai Trio Property Development Co. Ltd.					
(Registered capital in US$)					
Mr. Doo Wai Hoi, William, *JP*	–	–	US$28,350,000 *(Note 6)*	US$28,350,000	52.50%
Zhaoqing New World Property Development Limited					
(Registered capital in US$)					
Mr. Doo Wai Hoi, William, *JP*	–	–	8,250,000 *(Note 7)*	8,250,000	60.00%
Zhaoqing New World Property Management Limited					
(Registered capital in HK$)					
Mr. Doo Wai Hoi, William, *JP*	–	–	300,000 *(Note 7)*	300,000	60.00%

Notes:

(1) These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar Shun, Henry, an executive Director and the chairman of the Company.

(2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai Hoi, William, *JP*, an executive Director and the vice chairman of the Company.

(3) These shares are held by the spouse of Dr. Cheng Kar Shun, Henry.

(4) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai Hoi, William, *JP*.

(5) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai Hoi, William, *JP*.

(6) These include 50% direct interests and 2.5% participating interests in the registered capital of Shanghai Trio Property Development Co. Ltd. being held by companies wholly-owned by Mr. Doo Wai Hoi, William, *JP*.

(7) Mr. Doo Wai Hoi, William, *JP*, is deemed to be interested in the registered capitals of these companies by value of his interest in Fortune Star Worldwide Limited of which Mr. Doo Wai Hoi, William, *JP*, owns an indirect interest of 60%.

Interests in underlying shares – share options

(i) the Company

As at the Latest Practicable Date, the following Directors had personal interest in share options to subscribe for the Shares granted under the share option schemes of the Company:

Name of Director	**Number of share options as at the Latest Practicable Date**	**Date of grant**	**Exercise price** *HK$*	**Exercisable period**
Mr. To	482,000[(1)]	28 January 2005	1.260	28 January 2005 to 31 December 2010
Mr. Lo	200,000[(2)]	8 February 2002	2.440	9 February 2002 to 8 February 2008
	78,000[(2)]	28 January 2005	1.260	28 January 2005 to 31 December 2010

Notes:

(1) Mr. To has agreed with the Company in writing that he will not exercise his share options from 22 November 2006 until the Acquisition Completion Date and, subject to the Acquisition Completion, his 482,000 share options will be cancelled.

(2) Mr. Lo has undertaken in writing not to exercise his share options from 22 November 2006 up to the close of the Share Offer.

(ii) NWSH

Under the share option scheme of NWSH, a fellow subsidiary of the Company, the following Directors were granted share options to subscribe for shares in NWSH:

			Number of share options with exercise price per share of HK$3.711
Name of Director	**Date of grant**	**Exercisable period**	**Balance as at the Latest Practicable Date**
Mr. Chow Yu Chun, Alexander	21 July 2003	*Note*	134,944

Note:

This is divided into two tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.

As at the Latest Practicable Date, save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares or/and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Interests in the Shares and underlying Shares

Name	Capacity	Interests in the Shares	Interests in physically settled unlisted equity derivatives	Total	Approximate percentage of issued capital as at the Latest Practicable Date
NWCBN	Beneficial owner	2,100,000	23,185,245 (1)	25,285,245	25.88%
New World Telephone Holdings Limited ("NWTHL")	Interest of a controlled corporation	2,100,000 (2)	23,185,245 (2)	25,285,245	25.88%
PPG	Beneficial owner	53,236,666	1,000,000,000 (3)	1,053,236,666	1,078.12%
NWD	Interest of controlled corporations	55,336,666 (4)	1,023,185,245 (4)	1,078,521,911	1,104.00%
Chow Tai Fook Enterprises Limited ("CTF")	Interest of a controlled corporation	55,336,666 (5)	1,023,185,245 (5)	1,078,521,911	1,104.00%
Centennial Success Limited ("CSL")	Interest of a controlled corporation	55,336,666 (6)	1,023,185,245 (6)	1,078,521,911	1,104.00%
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")	Interest of a controlled corporation	55,336,666 (7)	1,023,185,245 (7)	1,078,521,911	1,104.00%
Million Dollar Trading Limited	Beneficial owner	16,091,846	–	16,091,846	16.47%
New World CyberBase Limited	Interest of a controlled corporation	16,091,846 (8)	–	16,091,846	16.47%
The Offeror	Beneficial owner	55,336,666 (9)	–	55,336,666	56.64%
Mr. Lo	Interest of a controlled corporation	55,336,666 (9)	–	55,336,666	56.64%
Mr. Lo	Beneficial owner	–	278,000 (10)	278,000	0.28%

Notes:

(1) These 23,185,245 underlying Shares represent the Shares which may be issued upon the exercise of any of the conversion rights attaching to the Convertible Bond.

(2) NWCBN is a wholly-owned subsidiary of NWTHL. Accordingly, NWTHL is deemed to be interested in the Shares and underlying Shares held by NWCBN.

(3) These 1,000,000,000 underlying Shares represent the Shares which may be issued upon the exercise of any of the conversion rights attaching to the Subscription Note.

(4) Each of PPG and NWTHL is a wholly-owned subsidiary of NWD. Accordingly, NWD is deemed to have an interest in the Shares and underlying Shares held by PPG and in the Shares and underlying Shares deemed to be interested by NWTHL.

(5) CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and CTF is accordingly deemed to have an interest in the Shares and underlying Shares.

(6) CSL holds 100% direct interest in CTF and CSL is accordingly deemed to have an interest in the Shares and underlying Shares.

(7) CYTFH holds 51% direct interest in CSL and CYTFH is accordingly deemed to have an interest in the Shares and underlying Shares.

(8) Million Dollar Trading Limited is a wholly-owned subsidiary of New World CyberBase Limited. Accordingly, New World CyberBase Limited is deemed to be interested in the Shares and underlying Shares held by Million Dollar Trading Limited.

(9) Pursuant to the Acquisition Agreement, 55,336,666 Shares have been conditionally acquired by the Offeror, which is beneficially wholly-owned by Mr. Lo, from NWD. As such, Mr. Lo is deemed to be interested in these Shares.

(10) These 278,000 underlying Shares represent the Shares which may be issued upon the exercise of 278,000 share options granted to Mr. Lo pursuant to the share option schemes of the Company. Mr. Lo has undertaken in writing not to exercise his share options from 22 November 2006 to the close of the Share Offer.

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had, or was deemed or taken to have an interest or short position in the Shares or/and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Save as stated above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under Section 336 of the SFO, no other persons were recorded to hold any long or short positions in the shares or underlying shares of the equity derivatives of the Company.

(c) Other interests

(1) As at the Latest Practicable Date, Dr. Cheng Kar Shun, Henry was the managing director of NWD, which is a party to (i) the shareholders' agreement dated 8 December 2005 entered into among NWD, the Company, Upper Start, Telstra Corporation Limited, Telstra Holdings (Bermuda) No. 2 Limited and CSL NWM In relation to the CSL NWM Group, details of which are set out in the paragraph headed "Material contracts" in this Appendix; and (ii) the S&P Agreement, details of which are set out

in "Letter from the Board" of this circular. Mr. Doo Wai Hoi, William, *JP* is the brother-in-law of Dr. Cheng Kar Shun, Henry. Save for Dr. Cheng Kar Shun, Henry and Mr. Doo Wai Hoi, William, *JP*, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group taken as a whole.

(2) Save for Dr. Cheng Kar Shun, Henry and Mr. Doo Wai Hoi, William, *JP*, none of the Directors had since 30 June 2006, being the date to which the latest published audited financial statements of the Company were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. MATERIAL LITIGATION

Neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

4. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and their respective associates were considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. PROCEDURES FOR DEMANDING A POLL

Under the articles of association of the Company, poll may be demanded in respect of any resolution put to the vote at the EGM (or any adjourned meeting thereof) by:–

(a) the chairman of the meeting; or

(b) at least five members present in person or by proxy and entitled to vote at the meeting; or

(c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

(d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

7. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within the two years immediately preceding the date of this circular, and are or may be material:

(a) the agreement dated 12 September 2005 entered into between the Company and New World CyberBase Limited ("NWCB") in relation to the sale and purchase of the entire issued share capital of New World CyberBase Solutions (BVI) Limited ("NWCS") at a consideration of HK$20,999,999 which was satisfied by the issue of 16,153,846 Shares at an issue price of HK$1.30 per Share by the Company to NWCB;

(b) the deed of assignment of loan dated 21 October 2005 entered into between NWCB as assignor, the Company as assignee and NWCS in relation to the assignment of the interest-free shareholder's loan owed from NWCS to NWCB and its subsidiaries, at a consideration of HK$1.00, subject to and upon the terms and conditions contained therein;

(c) the loan agreement dated 9 November 2005 entered into between New World PCS Limited ("NWPCS") as borrower and New World Finance as lender pursuant to which New World Finance agreed to make available to NWPCS a loan facility of up to HK$60,000,000 subject to and upon the terms and conditions contained therein;

(d) the merger agreement dated 8 December 2005 (the "Merger Agreement") entered into between the Company, CSL NWM and Telstra Holdings (Bermuda) No. 2 Limited ("Telstra Holdings") in relation to CSL NWM;

(e) the shareholders' agreement dated 8 December 2005 entered into among NWD, the Company, Upper Start, Telstra Corporation Limited ("Telstra Corporation"), Telstra Holdings and CSL NWM to set out the respective rights and obligations of the shareholders of CSL NWM in relation to the CSL NWM Group, including but without limitation to its principal business, board composition, management as well as dividend policy;

(f) the two subscription agreements dated 8 December 2005 entered into between (i) the Company, New World PCS Holdings Limited ("NWPCS Holdings") and CSL NWM; and (ii) Telstra Holdings, CSL NWM and the Company, in relation to the subscription for shares in NWPCS Holdings and CSL NWM respectively, at such amount of consideration so as to discharge all outstanding debts due by NWPCS Holdings and CSL NWM respectively and to give effect to certain adjustments under the Merger Agreement;

(g) the loan agreement dated 27 March 2006 entered into between New World Finance as lender and the Company as borrower for the advancement of a loan of HK$244,024,000.00 which outstanding principal amount as at the Latest Practicable Date was HK$116,046,976.94;

(h) the loan agreement dated 30 March 2006 entered into between New World Finance as lender, the Company as borrower and pursuant to which New World Finance agreed to make available to the Company a loan facility of up to HK$900,000,000 which outstanding principal amount as at the Latest Practicable Date was HK$886,749,279;

(i) the amendment agreement dated 30 March 2006 entered into between CSL NWM, Telstra Holdings, Telstra Corporation, NWD, Upper Start and the Company in relation to the Merger Agreement;

(j) the loan agreement dated 29 May 2006 entered into between the Company as borrower and New World Finance as lender pursuant to which New World Finance agreed to make available to the Company a loan facility of up to HK$70,000,000 which outstanding principal amount as at the Latest Practicable Date was HK$64,000,000;

(k) the amendment agreement dated 25 August 2006 entered into between CSL NWM, Telstra Holdings, Telstra Corporation, Upper Start, NWPCS Holdings and the Company in relation to the Merger Agreement; and

(l) the S&P Agreement.

8. EXPERTS

The following are the qualifications of the professional advisers who have given opinions or advice which are contained in this circular:

Names	Qualifications
CIMB-GK Securities (HK) Limited	Licensed by the SFC for carrying out Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants

Each of CIMB-GK and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and letters (if any), as the case may be, and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of CIMB-GK and PricewaterhouseCoopers:

(a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to the Company since 30 June 2006, being the date to which the latest published audited accounts of the Company were made up; and

(b) did not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. MISCELLANEOUS

(a) The company secretary and the qualified accountant of the Company is Mr. Sien Yun Man *CPA, ACS, ACIS.*

(b) The registered office of the Company is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and the principal place of business of the Company in Hong Kong is at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Iu, Lai & Li, Solicitors for the Company, at 20th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM and at the EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to under the paragraph headed "Material contracts" in this Appendix;

(c) the letters of consent referred to in paragraph headed "Experts" in this Appendix;

(d) the annual report of the Company for each of the two years ended 30 June 2006;

(e) the letter from CIMB-GK to the Independent Board Committee and the Independent Shareholders dated 15 December 2006, the text of which is set out on pages 22 to 33 of this circular;

(f) the letter from the Independent Board Committee to the Independent Shareholders dated 15 December 2006, the text of which is set out on page 21 of this circular;

(g) the accountants' report on the Group from PricewaterhouseCoopers dated 15 December 2006, the text of which is set out in Appendix I to this circular and the written statement signed by PricewaterhouseCoopers setting out the adjustments made by them in arriving at the figures shown in the accountants' report on the Group;

(h) the letter from PricewaterhouseCoopers on the unaudited pro forma financial information of the Remaining Group dated 15 December 2006, the text of which is set out in Appendix V to this circular;

(i) the audited financial statements of the CSL NWM Group for the year ended 30 June 2006; and

(j) the audited financial statements of the NWPCS Group for the nine months ended 31 March 2006.

NEW WORLD MOBILE HOLDINGS LIMITED
新世界移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 862)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the members of New World Mobile Holdings Limited (the "Company") will be held at Meeting Rooms 606 and 607, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 3 January 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company.

ORDINARY RESOLUTIONS

1. **"THAT:–**

(a) the entering into of the conditional agreement for sale and purchase dated 22 November 2006 (the "S&P Agreement"), a copy of which has been produced to the meeting marked "A" and initialled by the Chairman of the meeting for the purpose of identification, between the Company as vendor and New World Development Company Limited (the "Purchaser") as purchaser, whereby the Company has agreed to sell and assign, and the Purchaser has agreed to purchase and accept the assignment of, or procure the purchase and acceptance of the assignment of, the entire issued share capital of Upper Start Holdings Limited ("Upper Start") beneficially owned by the Company, and the loans owing by Upper Start to the Company, at an aggregate consideration of HK$2,500 million (the "Consideration"), upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and the transactions contemplated under the S&P Agreement, including but not limited to the partial payment of the Consideration by the Purchaser by way of set off against the aggregate amount owing by the Company to the Purchaser's subsidiaries under (i) a subscription note of HK$1,200 million due 5 July 2007 issued by the Company to a wholly-owned subsidiary of the Purchaser; (ii) the convertible bond of HK$28,286,000 due 1 November 2007 issued by the Company to a wholly-owned subsidiary of the Purchaser; and (iii) three loan agreements dated 27 March 2006, 30 March 2006 and 29 May 2006 respectively between the Company as borrower and a wholly-owned subsidiary of the Purchaser as lender, be and are hereby approved, confirmed and adopted; and

(b) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all acts and things and execute and deliver all documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the S&P Agreement."

2. **"THAT:–**

(a) subject to (i) completion of the S&P Agreement (as defined in the ordinary resolution numbered 1 set out in the notice of this meeting of which this resolution forms part); (ii) compliance with section 146 of the articles of association of the Company; and (iii) sufficiency of distributable reserves of the Company as at the date of completion of the S&P Agreement, a special dividend in respect of part of the cash portion of the Consideration (as defined in the ordinary resolution numbered 1 set out in the notice of this meeting of which this resolution forms part) receivable by the Company pursuant to the S&P Agreement as recommended by the board of directors of the Company be declared and paid to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on a record date to be designated by the board of directors of the Company; and

(b) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all acts and things and execute and deliver all documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to give effect to the foregoings."

By Order of the Board
New World Mobile Holdings Limited
Sien Yun Man
Company Secretary

Hong Kong, 15 December 2006

Registered office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal place of business in Hong Kong:
17th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her/its stead. In the case of a recognised clearing house, it may authorise such other person(s) as it thinks fit to act as its representative(s) at the meeting and vote in its stead. A proxy need not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.

3. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.

5. Where there are joint holders of any share of the Company, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, then the holder whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.

6. The register of members of the Company will be closed from Friday, 29 December 2006 to Wednesday, 3 January 2007 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify to vote at the EGM, all relevant share certificates (together with the accompanying documents of transfer, if required) must be lodged with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 28 December 2006.